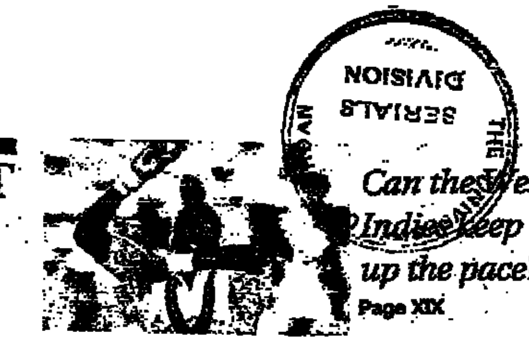
Weekend FT

Inside section II



Can the West Indies keep up the pace? Page XIX

A cookery course in Bangkok Page XV

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Winter Olympics *Norway's chance for world gold* Page 9

FINANCIAL TIMES

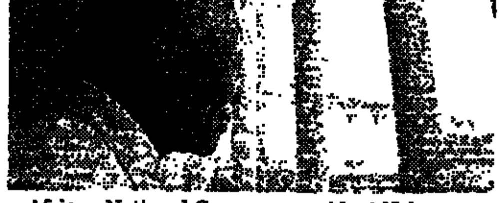
Europe's Business Newspaper — WEEKEND FEBRUARY 12/FEBRUARY 13 1994

Japan and US fail to reach accord on market access

The US and Japan failed to reach agreement on US demands for greater access to the Japanese market. A sombre President Bill Clinton said at the White House after his meeting with Japanese prime minister Morihiro Hosokawa that Japan's offers "simply did not meet the standards agreed in Tokyo last summer". Page 24; Editorial Comment, Page 8

Major to meet Yeltsin over Bosnia: UK prime minister John Major will tell Russian president Boris Yeltsin when they meet next week that threatened air strikes against Serb forces do not signal a break with the west's commitment to a negotiated peace in Bosnia. Page 5

Mandela returns to Robben Island



African National Congress president Nelson Mandela returned to South Africa's Robben Island penal colony (above), seven miles off Cape Town, to mark the fourth anniversary of his release. He spent 19 of his 27 years' imprisonment there.

Arrest warrant for Berlusconi's brother: The political ambitions of Silvio Berlusconi, Italian media magnate and leader of the Forza Italia party, were threatened when Milan magistrates issued an arrest warrant for his brother, Paolo, on suspicion of corruption. Page 24

Canal Plus chief quits shareholder's board: André Rousselet, chairman of France's Canal Plus television company, resigned as a director of Leisure group Havas in protest at its plans to raise its stake in Canal Plus by forming a concert party. Page 11

EU withdraws banana trade offer: The European Commission withdrew its offer of increased access for Latin American producers to the £1.8bn ($2.6bn) European Union banana market. Page 4

Murdoch plans India TV venture: Rupert Murdoch, chairman of News Corporation is to set up Star India, a television company in India to augment his Hong Kong-based Star TV. Page 4

Snow hits US: The north-east US was paralysed by snowstorms that shut airports and forced the government to close most of its Washington offices. The New York stock exchange closed early. Weather guide, Page 24

Baltics face gas cut-off: Russian gas producer Gasprom threatened to cut off exports to Estonia, Latvia and Lithuania because of nonpayment. Temperatures in the Baltics are expected to plunge below -30C. Page 2

Foreigners hold 12% of UK shares: Overseas investors held about 12 per cent, or £75bn ($110bn), of all UK shares at the end of 1992, figures from the Central Statistical Office show. US investors accounted for just under half of the overseas total while the Japanese represented 2.7 per cent. Page 7

Peres puts Israeli settlements in doubt: Israeli foreign minister Shimon Peres indicated that Israel might have to abandon some settlements in the occupied territories as implementation of Palestinian self-rule draws near. Page 4

Modest rise in US prices: US wholesale prices rose a modest 0.2 per cent in January with a fall in food costs offsetting the biggest jump in petrol prices in more than three years, the government said. Page 2

UK trade gap widens: The UK's visible trade deficit widened to £1.04bn in November, as the value of exports fell 5.5 per cent from October. Page 7; Editorial Comment, Page 8

Clues 'neglected' in serial killer case: Clues which would have revealed nurse Beverley Allitt as a serial killer were "neglected or missed" by health workers and managers, an inquiry found. However, the investigation into how Allitt was able to murder four children at Grantham and Kesteven hospital in Lincolnshire, central England, said no single person was to blame.

■ STOCK MARKET INDICES		
FT-SE 100:	3,378.9	(-28.1)
Yield	3.47	
FT-SE Eurotrack 100	1,487.36	(-11.86)
FT-SE-A All-Share	1,701.53	(-0.6%)
Nikkei	closed	
New York: lunchtime		
Dow Jones Ind Ave	3,875.08	(-20.26)
S&P Composite	467.80	(-1.13)
■ US LUNCHTIME RATES		
Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.322%	
Long Bond	97 9/32	
Yield	6.404%	
■ LONDON MONEY		
3-mo Interbank	5 3/16%	(Same)
Liffe long gilt future:	Mar 115 31/32	(Mar 115¾)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Apr)	$13.715	(13.685)
■ Gold		
New York Comex (Apr)	$381.7	(382.0)
London	$380.75	(382.25)

■ STERLING		
New York lunchtime:		
$	1.463	
London:		
$	1.4663	(1.4615)
DM	2.5685	(2.5625)
FFr	8.73	(8.7036)
SFr	2.1644	(2.1601)
Y	158.214	(158.50)
£ Index	81.0	(80.8)
■ DOLLAR		
New York lunchtime:		
DM	1.7552	
FFr	5.9615	
SFr	1.4795	
Y	107.75	
London:		
DM	1.7517	(1.7534)
FFr	5.9538	(5.9553)
SFr	1.4761	(1.478)
Y	107.9	(108.45)
$ Index	67.4	(67.5)
Tokyo closed		

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Agreement with regulator will cut industry costs and avoid monopolies reference

Generators in deal to sell off plants

By Michael Smith

Britain's largest electricity companies reached an agreement yesterday with Prof Stephen Littlechild, the industry regulator, to try to sell off some of their power stations and reduce their prices in the wholesale electricity market. They have avoided being referred to the Monoplies and Mergers Commission.

Under the deal outlined yesterday, National Power and PowerGen agreed to use "all reasonable endeavours" to dispose of 4000MW and 2000MW of their generating plant respectively within two years. Prof Littlechild said the combined total of 6000Mw was equivalent to six large power stations. He said that unless the generators delivered on their undertakings there might still have to be an MMC reference.

Both companies are to consider hiving some of their generating plant into separate quoted companies.

They also agreed to price capping measures which Prof Littlechild said would reduce prices in the wholesale electricity pool by 7 per cent and were worth £500m over the two years they are intended to last.

It also emerged yesterday that Nuclear Electric, the state-owned utility, is likely to suffer more than National Power and PowerGen as a result of yesterday's agreement in which it was not involved.

Competition 'not enough to restrain prices' UK News

Analysts believe its profits could be hit by up to £250m over the two years as a result of the price capping arrangements. The combined effect on the profits of National Power and PowerGen is likely to be about £100m .

Mr Ed Wallis, PowerGen chief executive, said one option for the plant disposals was a demerger under which shareholders could be offered equity in a new company containing the amount of generating plant mentioned in the agreement. One advantage was that sharholders could be certain they were being offered value for money.

Mr John Baker, National Power chief executive, said his company was also considering the creation of a separate company which would have quite separate management. Another option was an auction of plant.

Mr Baker said the company had been involved last year in serious negotiations with two prospective buyers of plant. These had been put on hold during the more than six months of Prof Littlechild's deliberations.

The level of plant disposals tentatively agreed to represents between 10 and 15 per cent of the companies' generating stations.

The disparity between the effects of the pool price reductions on Nuclear Electric and the other two generators arises because the state-owned company depends more on pool prices for its income. National Power and PowerGen have more hedging contracts in place which effectively protect them from vagaries in the pool price.

Nuclear Electric said it still intended to be profitable before taking account of the nuclear levy by 1995/6 but "that's a tougher challenge than it was".

Imperial Chemical Industries said the price cap would save it between £4m and £5m a year, although it said it would still be paying higher prices than its international competitors.

Prof Littlechild acknowledged that reductions for domestic consumers would be small. he

Yesterday's agreement will enable the government to go ahead with plans to realise more than £4bn through sales of its remaining 40 per cent stakes in National Power and PowerGen. Shares in both companies rose.

Markets braced for more selling pressure

By Steve Thompson

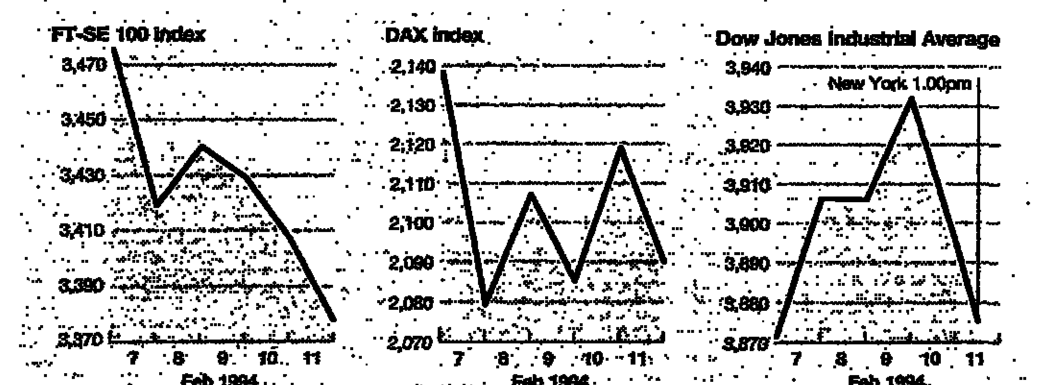
The UK stock market came under renewed heavy selling pressure yesterday, leaving the FT-SE 100 nearly 100 points down at the end of a volatile week.

European markets were also sharply down amid fears that global bond and equity markets could come under serious pressure next week. At 1pm in New York, the Dow Jones Average was down 13.51 points.

The London equity market's uncertainty was increased by conflicting predictions from stock analysts. Most influential was a forecast from Mr Nick Knight, market strategist at Nomura, the Japanese stockbroker, of sharp falls across international stock markets next week.

"Next week could be bloody; we see world markets hitting an air pocket," said Mr Knight, until recently one of London's most prominent bulls. He said the Hong Kong market would be particularly vulnerable, as would continental European markets.

Shares tumble on bond market fears



Source: FT Graphite/MMS International

However, other dealers in London said they were not overly worried. Mr Martin Lupton, head of marketmaking at Kleinwort Benson Securities, the UK securities house, said: "We had a good shakeout but business was curtailed by the bad weather in New York; I think we'll steady up next week."

The FT-SE 100 index of leading UK companies closed 28.1 down at 3,378.9, having been more than 57 lower earlier in the day. Over the week the index has fallen 2.7 per cent, following the move by the US Federal Reserve a week ago to tighten monetary policy, and the cut of ¼ of a point in UK base rates.

The FT-SE index was hit by an overnight slide on Wall Street, which fell again last night shortly after European markets had closed. It was also driven sharply lower by heavy selling in futures markets.

In Frankfurt, the Dax index fell 28.35 to 2,090.61 on the session, 2.2 per cent down on the week. In Paris,

Continued on Back Page

BAe confirms Bauman is to be chairman

By Tony Jackson

The new chairman of British Aerospace has been confirmed as Mr Bob Bauman, chief executive of the drugs group SmithKline Beecham. He succeeds the present chairman, Mr John Cahill, who is stepping down after only two years of his five-year term.

Mr Cahill's departure, which had been signalled in advance, is believed to be partly due to dissent within the BAe board. He will walk away with $4.7m (£3.21m) in the form of share options. It is understood that he has waived payment on the final three years of his contract. He holds options on 908,000 at an exercise price of 260p. BAe's share price closed yesterday at 543p.

Mr Bauman, 62, will be paid £50,000 a year as non-executive chairman, working one or two days a week on average. He will also receive options on 120,000 BAe shares at 550p. At SmithKline Beecham, where he is due to retire in April, he was one of the UK's highest-paid executives, with earnings of £1.5m in 1992.

He said last night: "I think BAe has made progress, and they're starting to sort out a management team and a strategy for the future. I've had the chance to meet all of the board, and I feel good about my ability to work with them."

Bob Bauman: 'BAe are sorting out a strategy for the future'

BAe last night played down suggestions that Mr Cahill, who had spent much of his time as chairman living in the US, had been at loggerheads with his colleagues, particularly those in the group's defence business. An official said last night: "John Cahill

Continued on Back Page
Profile, Company News

Lloyd's may extend £900m offer deadline

By Richard Lapper

Lloyd's of London may give loss-making Names more time to accept the insurance market's £900m out-of-court settlement offer, which is designed to end litigation by some 17,000 individual members.

Lloyd's had set a Monday deadline and said the proposed settlement would be withdrawn unless it was accepted by loss-making Names whose individual deals account for at least 70 per cent of the £900m on offer.

However, it is now understood that if a significant number of Names – the individuals whose assets have traditionally supported the market – accept the deal, a short extension of the offer period will be considered. It seems likely that at least half the value of the offer would have to be taken up before the option went ahead.

The deadline for the deal has already been extended once, from January 31 to February 14. But under the original conditions of the offer, announced in December

Continued on Back Page

Private health fees attacked by MMC

By Alan Pike, Social Affairs Correspondent

Britain's most highly-paid National Health Service doctors earn an extra £400,000 a year from private practice, a Monopolies and Mergers Commission report showed yesterday.

A survey conducted for an MMC inquiry into private medical services showed that these pre-tax earnings were achieved in 1992 by an elite group of about 40 consultants through treating private patients. The income was in addition to their NHS salaries, which ranged from £37,905 to £48,945 in 1992-93.

Some 35 per cent of consultants also received distinction awards of between £9,935 and £47,200.

The government yesterday accepted an MMC recommendation that the British Medical Association should be prohibited from publishing guidelines on fees for doctors undertaking private practice. Mr Neil Hamilton, corporate affairs minister, said consultants following the guidelines were able to "charge higher fees than would otherwise be possible".

The £400,000-plus consultants were only 0.3 per cent of all doctors earning more than £1,000 a year from private work. The MMC report revealed another similar-sized group that earned more than £300,000 in 1992.

Plastic surgeons were shown as the specialist group with the highest private earnings, with typical incomes ranging between £50,000 and £75,000 gross.

Consultants' earnings from private practice have, says the MMC, "increased substantially over the last decade". They are estimated to have risen almost eightfold between 1980 and 1992, from £74m to £570m.

The report estimates that consultants' median pre-tax earnings in 1992 were £42,000 from the NHS and £17,000 from private practice. But about 6,000 NHS consultants – 25 per cent of the total – undertook no private work at all, while a further 2,000 senior doctors earned less than £1,000 from it.

Full-time NHS consultants should not earn more than 10 per cent of their salaries from private practice, but those on part-time NHS contracts can undertake unlimited private work.

The MMC survey showed that consultants typically spend 50 hours a week on NHS duties. The average time spent on private practice was nine hours a week, but the extremes ranged from five to 75 hours.

CONTENTS

... C$1.40; China RMB24; Cyprus C£1.10; Czech Rep CZK50; Denmark DKr16.00; Egypt E£5.00; Finland Fmk14; France FFr9.00; Germany DM3.50; Greece Dr350; Hong Kong HK$18; ... Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr60; Malaysia Rm4.50; Malta Lm0.60; Morocco Dh15.00; Nigeria ... Philippines Pso 50; Poland Zl 32,000; Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep KSL50; South Africa R12.00; Spain Pta225; Sri ... Tunisia Din1.500; Turkey L13000; UAE Dh12.00; USA $1.25 (Alaska & Hawaii $1.75)

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Lithuania, Latvia and Estonia may lose gas supplies

Gasprom threatens to cut exports

By John Lloyd in Moscow

Gasprom, the monopoly Russian gas producer on which most of the former Soviet states depend for their gas supplies, yesterday threatened to cut off exports to the three Baltic countries of Estonia, Latvia and Lithuania.

The company said it was owed Rbs10.5bn from Estonia, Rbs32bn from Latvia and Rbs51bn from Lithuania – "enough grounds to stop supply of energy for non-payment even at a time when the coldest weather is upon us."

Temperatures have plunged sharply in the last two weeks, to an expected –30 degrees in Moscow this weekend and to even lower levels in the Baltics.

At the same time, Mr Yuri Shafranik, the energy minister, appealed to Mr Oleg Soskovets, the first deputy prime minister, to "use his authority" to force payment of energy debts, now totalling Rbs12,000bn. These debts have risen by more than six times in the past year.

He said the energy sector was faced with twin crises of underinvestment and soaring debts. Oil output fell to 354m tonnes last year – down 11 per cent on 1992; gas output decreased by 23bn cu metres, or 3.6 per cent on the previous year; and coal production was down 31m tonnes to 306m tonnes.

Much of the reason for the falling output was the sharp fall in investment, he said, down by 27 per cent last year and by 200 per cent in the past five years. Mr Shafranik emphasised that energy accounted for 38 per cent of budget income and 60 per cent of the state's hard currency revenues.

The energy crisis was further dramatised yesterday with the publication of details of an incident last December when an aircraft carrying President Boris Yeltsin was put into danger when it lost radio contact with the ground because electricity supplies to the radar facility near Rostov-on-Don were cut off for non-payment of the bill.

Mr Gennady Bocharov, an Izvestiya correspondent, said the power was cut off at a time when there were a large numbers of Russian and foreign planes in southern regional airspace.

Mr Bocharov said that, while details of the incident were suppressed, the power was again cut two days later. In the second period of power failure, an aircraft carrying Mr Sergei Shakhrai, then a deputy prime minister, was also put in danger.

Mr Victor Chernomyrdin, holding a meeting separately with leaders of the mineworkers, promised them yet again that the government would pay back wages, unpaid in some cases since the beginning of winter.

He ordered the Ministry of Finance to pay Rbs1,000bn in back pay – but said an agreement on pay and prices was required in the industry to help address the soaring budget deficit.

Russian businessman and politician Constantine Borovoy (centre) holds a US dollar which he sells for roubles while he and fellow businessmen picketed the state duma in Moscow and staged "economic crimes" to press for the release of "economic prisoners". Russia has about 500 former businessmen serving long jail sentences for crimes such as "private entrepreneurship" Associated Press

Slovak premier struggling after defections

By Patrick Blum in Vienna

Slovakia's coalition government was yesterday fighting for survival after a series of defections left the prime minister, Mr Vladimir Meciar, without a working majority in parliament and facing calls for a vote of no-confidence.

The opposition, which until now has proved too weak and divided to oust the increasingly unpopular Mr Meciar, appears to have been moved to action by the growing paralysis of the government, which can no longer win sufficient support in parliament to pass urgently needed legislation.

This latest crisis was precipitated by the defection on Thursday of 10 deputies from Mr Meciar's Movement for a Democratic Slovakia (HZDS) who announced the establishment of an opposition faction called the Alternative of Political Realism (APR).

Though the 10 have not officially left the HZDS, their move effectively leaves the ruling coalition between the HZDS and part of the Slovak National party (SNS) with only 63 votes in the 150-seat parliament.

There has been a string of defections from the HZDS since it won almost half of the seats in the June 1992 general elections, and in recent polls the party's support has fallen to around 15 per cent.

The APR faction is calling for the formation of a non-partisan transitional government to replace Mr Meciar's coalition until early elections can be held. Such a government would be made up of "politically non-aligned experts" with the support of opposition parties.

Mr Meciar has proved a formidable opponent in the past when his position has been under threat, and he wants to hold a referendum to prohibit defectors from remaining in parliament once they have left a party. But for the first time he appears to face the combined weight of almost all opposition forces in the country and he would almost certainly lose a no-confidence vote, making elections inevitable.

Irish party in disarray as 4 MPs resign

By Tim Coone in Dublin

Ireland's main opposition party, Fine Gael, has been thrown into disarray following a challenge to Mr John Bruton, the party leader, from four frontbenchers within his party.

The move comes in the build-up to the European elections and follows the publication of an opinion poll which shows support for the party at its lowest in 70 years, and Mr Bruton trailing all other party leaders in his personal popularity with the electorate.

The four frontbenchers asked Mr Bruton to resign on Thursday evening, and when he refused they handed in their own resignations. A parliamentary party meeting is to vote next Tuesday on whether Mr Bruton will continue as leader. If he loses, it will be the third change at the top of the party since 1987.

Fine Gael is a conservative party with largely middle-class support, but since the Fianna Fail-Labour coalition government was formed in January 1993, it has had difficulty deciding whether to become more social democrat in outlook, or turn further to the right.

The opinion poll, in the Irish Times last Monday, showed Fine Gael with only 16 per cent support, down from 25 per cent at the time of the last general election in November 1992 when the party lost 10 seats in the Dail (parliament).

Mr Bruton, who became party leader in 1990, survived a confidence vote last year. He said yesterday: "I am defending the integrity of the Fine Gael's party positions. I am fighting for a party that will take a decision, stick to that decision and implement it, in other words for a party that can be taken seriously."

Last October Mr Des O'Malley resigned as leader of the other main opposition party, the Progressive Democrats, and was replaced by Ms Mary Harney. The latest opinion poll shows Ms Harney is currently Ireland's most popular politician, alongside Mr Albert Reynolds the prime minister.

Vote for EU grows among Norwegians

By Hugh Carnegy and Karen Fossli in Oslo

The Norwegian government's hopes of turning around the deep public hostility to joining the European Union will be boosted today by an opinion poll showing a sharp increase in support for membership.

However, in Helsinki, Mr Esko Aho, the prime minister, warned yesterday that Finland's application to join the EU would fail unless its demands for special treatment of Nordic agriculture were met. Finland, Norway and fellow-applicants Sweden and Austria are engaged in accession negotiations with the EU due to be completed by next month.

A poll published today in Aftenposten, Norway's leading daily newspaper, showed opposition to EU membership slipping below 50 per cent for the first time in months, to 48 per cent. Meanwhile, support has shot up since a similar poll last month from 32 per cent to 37 per cent – well above last October's low point of 24 per cent.

In a further encouragement for the Labour government, which has promised a referendum to decide the issue, the poll showed that support for membership in Norway would outstrip opposition if Sweden and Finland voted to join. In such circumstances the poll showed 41 per cent in favour against 39 per cent, with the rest undecided.

Mr Bjorn Tore Godal, foreign minister, said this week it was an "unbearable thought" for Norwegians that its border with Sweden might "become our border with Europe".

But Mr Aho said the EU must change its refusal to grant special status to Nordic agriculture quickly if the negotiations were to succeed. "The EU must understand these Nordic conditions of ours. A solution must emerge only on this basis," he said.

NEWS IN BRIEF

L800bn decree for Italy's steel industry backed

The Italian government yesterday approved a decree providing L800bn (£324m) to restructure the steel industry in order to comply with production cuts agreed with the EU, writes Robert Graham from Rome. The approval came in advance of Monday's important meeting in Brussels which will review progress in implementing last December's agreement on reducing capacity in the European steel industry.

It also came on the day that preliminary bidding closed for the privatisation of Ilva, the state steel concern. Bids are being made on the basis of Ilva being split into two groups – flat products and special steels. The government undertook last December to complete the privatisation this year.

The decree is mainly concerned with private-sector steel producers and provides a series of financial aids and fiscal incentives to cut production and switch to other product lines. The L800bn will be available for the period 1994-97.

Jump in Spanish inflation depresses markets

Sharp January price increases in food and transport pushed month-on-month inflation in Spain up by a full percentage point and raised annualised headline inflation to 5 per cent from 4.9 per cent at the end of December, writes Tom Burns from Madrid.

The unexpectedly high figures depressed stock markets and could undermine efforts to moderate wage demands. Core inflation, which had been falling steadily in the second half of last year, rose from December's 5 per cent to 5.1 per cent last month and is likely to curtail interest rate cuts in the immediate future.

Sensormatic plans to set up factory in Ireland

Sensormatic, the Florida maker of security and closed circuit TV systems, is to establish its first European factory in Ireland, writes Tim Coone from Dublin.

The company had a turnover of $487m (£334m) in 1983, around 50 per cent of which came from sales in Europe. Mr Dawson Buck, president, said the European market would be supplied out of Ireland, from a new I£14m plant to be established this year in Cork, and expected to provide up to 900 jobs over five years. Mr Buck said he expected worldwide turnover to increase to $1bn in the next three years.

Portuguese workers repeat one-day strike

Portugal's public-sector workers yesterday staged their second 24-hour strike in three weeks, disrupting hospitals, schools, public transport and other services, writes Peter Wise from Lisbon.

The unions are demanding a 9 per cent pay increase; the government has offered 2.5 per cent. Inflation is forecast at 6 per cent for 1994. Unions said support for the strike was slightly below the turnout in January, when up to 90 per cent of Portugal's 600,000 public-sector employees stopped work.

Danish social affairs minister sacked after 14 days

The Danish prime minister, Mr Poul Nyrup Rasmussen, yesterday dismissed his social affairs minister, Mrs Bente Juncker, after only 14 days, writes Hilary Barnes from Copenhagen.

Mrs Juncker, of the coalition government's Centre Democratic party (CD), was sacked after relaying unfounded rumours to journalists that one of her severest political critics, the head of a home for mentally retarded adults, had once been under investigation for sexually abusing his clients.

Her successor as social affairs minister is a party colleague, Ms Yvonne Herlov Andersen.

Editor resigns as Le Monde falls into the red

Mr Jacques Lesourne yesterday resigned as managing editor of Le Monde, the influential French daily newspaper, after a long-running row over the paper's gloomy financial prospects and its future strategy, writes Alice Rawsthorn from Paris.

Le Monde, like the rest of the French press, has recently come under intense financial pressure because of the economic recession and the instability caused by the recent reform of the advertising space buying system.

Mr Lesourne, who was elected managing editor for five years in 1991, had been trying to cut costs at the paper. However he announced last week that Le Monde had fallen into the red in 1993 after mustering a negligible profit of FFr1.3m (£149,000) in 1992.

KIO case to continue, court rules in Madrid

The Madrid high court yesterday ruled that a lawsuit filed over a year ago by the Kuwait Investment Office against seven former executives of its Grupo Torras Spanish holding should go ahead, Reuter reports from Madrid.

The decision follows four rulings last year throwing out the case. The new ruling cannot be appealed against or overturned.

The KIO put Torras into receivership in December 1992, claiming losses of $5bn (£3.4bn), and next month filed penal charges against the seven for fraud and mismanagement, which it said had led directly to losses of $1bn.

A spokesman for former Torras deputy chairman Javier de la Rosa, one of the seven accused, said the ruling would provide a welcome opportunity to clear the facts. Other defendants are Mr Fouad Jaffar, former KIO general manager, former KIO chairman Mr Fahad al-Sabah, former Torras managing director Mr Jorge Nuñez Lasso de la Vega, former Ercros chairman Mr Narciso de Mir, and former Torras officials Mr Juan Jose Folchi and Mr Miguel Soler Sala.

In addition, the KIO filed suit in London last year against 21 former KIO officials.

In April last year, two companies controlled by Mr de la Rosa filed an affidavit demanding the KIO declare a repurchase agreement on share participations in the Torras group, and last September Mr de la Rosa, Mr de Mir and Mr Nuñez filed charges in Barcelona against Torras officials for allegedly harming the companies' interests.

Spain's National Securities Market Commission last year investigated Torras and found irregularities in its group share participations.

Balladur treads on colleagues' toes

David Buchan on how presidential rivalry is affecting the policies of the right

France's presidential election is still 15 months off, but is casting a lengthening shadow over Prime Minister Edouard Balladur's coalition government and its policies.

Mr Balladur protests – and he may even be sincere – that he wants presidential politics left until next year so that he can govern in peace this year. But that leaves unanswered the question of whether he will challenge his RPR party's leader, Mr Jacques Chirac, for the Elysée in 1995. The growing likelihood that he will is proving divisive in the cabinet, in the RPR and in the governing parliamentary coalition – in any case too large to be very cohesive.

Apart from fomenting the bickering that comes naturally to any large group of politicians, the presidential rivalry within the French right is now affecting policy in the economy and elsewhere, at home and abroad.

With record unemployment so near to a presidential election, the pressures on Mr Balladur are all for a softening of fiscal policy to revive the economy, now that monetary policy is in the hands of the independent central bank. So far Mr Balladur has made no big U-turn: he still aims to *reduce* this year's budget deficit. But the imminence of the presidential poll is clearly increasing Mr Balladur's innate tendency to buy his way out of trouble.

The farmers got FFr3bn (£343m) last year to assuage their anti-Gatt anger. The bill for caving into the Air France strikers is still not in, but the state-owned carrier is expected to record one of the largest corporate losses in French history, more than FFr 7.5bn for 1993. Last month more than 250,000 supporters of the state school system took to the streets and won an extra FFr2.5bn over five years.

Using violent tactics, members of France's small, 16,000-strong fishing industry this month got FFr365m (£41.8m) in aid out of the government.

Mr Balladur's repeated financial concessions to strikers have not stirred much criticism in a country where grievances, by virtue of being strongly felt, are frequently considered justified. But as an American politician once remarked, "a billion here, a billion there and soon you're talking about real money".

In fact, Mr Balladur has some "real money" to play with from privatisation, which brought in some FFr40bn last year and probably more this year. He is extremely lucky to have for sale assets that the Socialists so expensively nationalised a decade ago.

By contrast, Mr Balladur has been criticised by his own side for being too timid in his measures to relaunch the economy. This criticism has come from Mr Raymond Barre, a maverick member of the UDF coalition partner, but also from Mr Jean-Louis Debré, the deputy secretary general of the RPR and a totally loyal Chirac lieutenant. Mr Debré said Mr Balladur "could have done more" in his January 31 moves to boost consumption, car sales and house buying. The effect was to undermine the prime minister, who was striving for maximum psychological impact at minimum cost.

Presidential manoeuvring also explains recent incidents in France's internal security and foreign policy. One of the murkiest of these was the prime minister's decision in late December to send two suspected Iranian terrorists back to Tehran instead of to Switzerland, which had asked for them to be extradited to stand trial for murder.

In making this move, which raised hackles in Berne and questions elsewhere, Mr Balladur sided with his interior minister, Mr Charles Pasqua, against Mr Alain Juppé, the foreign minister, though all three are RPR men.

This squares with the curious alliance of political convenience which Mr Balladur and Mr Pasqua seem to have struck up – the emollient, aloof prime minister and rough-hewn, populist interior minister complementing each other.

Because he appeals to much the same constituency as Mr Chirac, Mr Pasqua appears for the moment to calculate that he would bring far more to – and have more power in – a Balladur rather than a Chirac presidency. This is also why, at a time when Mr Chirac is the only declared presidential candidate on the right, Mr Pasqua backs the introduction of a US-style primary election to choose the right's man for the Elysée in 1995.

But in the process, Mr Balladur has alienated perhaps the most important man on today's French political scene – Mr Juppé, who is also secretary general of the RPR Gaullists. Mr Balladur could have used Mr Juppé's desire to get out from under Mr Chirac's shadow to his own advantage; instead, relations between prime and foreign minister have steadily cooled. They fell out first over Gatt.

To guard his own back in the event of failure, Mr Juppé annoyed Mr Balladur by insisting on written instructions for anything he negotiated; Mr Balladur later got his own back by handing out fulsome praise to all French negotiators except Mr Juppé.

The prime minister then aggravated the situation by trying some "freelance diplomacy" in Saudi Arabia. In December Mr Balladur's chief aide flew out to Riyadh, without telling the local French embassy, to prepare Mr Balladur's visit there last month. That visit took place against the advice of the local ambassador. To chortling at the Quai d'Orsay, there was no mega-defence contract for Mr Balladur to sign, and the prime minister had to return empty-handed. The FFr9bn contract was only sealed last week.

Mr Balladur is also seeking to enlarge the traditionally limited role of a French prime minister by trying his hand at defence as well as foreign policy: this month will see publication of a government defence white paper. This is all part of the "cohabitation" game of treading on the constitutional preserve of Socialist President François Mitterrand. But treading on Mr Juppé's toes is a more dangerous ploy.

Balladur: growing likelihood he will challenge Chirac

Fishermen's protests for Brittany ports

French fishermen are planning demonstrations in Brittany ports today in support of a two-week strike which has disrupted fish imports and drawn protests from trading partners, writes John Ridding in Paris.

The demonstrations follow a vote on Thursday to continue strike action, despite concessions from the government which include aid packages worth FFr450m (£51.5m) and the imposition of minimum price controls by the European Commission.

The striking fishermen are demanding an emergency meeting with Mr Edouard Balladur, the prime minister, and further measures to protect themselves against what they describe as unfair competition from cheap imports.

Government measures to placate the fishermen, however, have already run into opposition from trading partners. The US has sent a written complaint about the blocking of imports, following a decision by Paris to implement rigid testing procedures.

The US embassy in Paris said US fish imports had been blocked at Charles De Gaulle airport and tonnes of fish had started to rot.

Norway said the situation facing its fish exporters had largely returned to normal, following a decision to include members of the European Free Trade Area on the list of countries excluded from certification procedures at customs posts. But the Norwegian embassy said the situation was still confused and lorry drivers were wary of bringing cargo into the country.

Rise in US wholesale fuel prices

US wholesale prices rose a modest 0.2 per cent in January with a fall in food costs offsetting the biggest jump in fuel prices in more than three years, the government said yesterday, AP reports from Washington.

Wholesale fuel prices jumped by 6.5 per cent in January, but food prices fell by 0.3 per cent.

The Labour Department said the rise in its Producer Price Index, which measures price rises before they reach the consumer, was the biggest gain since a similar 0.2 per cent rise in September. However, economists had been expecting a much higher jump, of perhaps 0.4 per cent. They said the more moderate gain showed that inflationary pressures were remaining well contained.

Economists believe that rises in both wholesale prices and consumer prices will remain subdued this year even though the economy seems set to enter a period of recovery.

However, the Commerce Department reported yesterday that retail sales fell by an unexpectedly sharp 0.5 per cent in January, in the first decline in 10 months.

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Sarajevo's big guns fall silent

By Kerin Hope in Belgrade and Robert Mauthner in London

Serb and Moslem forces yesterday began handing over their heavy artillery to UN peacekeeping troops in Sarajevo, as a new ceasefire held for a day following intermittent shelling and sniper fire on Thursday night.

The UN commander in Bosnia, Lt-General Sir Michael Rose, said he was "reasonably satisfied" with the ceasefire, but accused "renegade military units" of trying to sabotage it.

"A comparatively small number of rounds have been fired since the start of the ceasefire – as far as I can judge, as many out of the city as into the city," Gen Rose said. Serb and Moslem forces blamed each other for the violations, but the UN said both sides were guilty.

A UN spokesman said the Serb artillery would be collected at an army barracks close to Sarajevo airport before being transferred out of the city. The Moslem weapons, fewer in number, were being taken to another barracks in the city centre.

The Bosnian Serb forces besieging Sarajevo agreed to place their heavy weapons under UN control, in response to a Nato threat of air strikes, provided their Bosnian Moslem antagonists did the same.

Despite concern over whether the ceasefire would hold, following bursts of shelling on the city's outskirts, more UN troops yesterday took up positions between the Serb and Moslem-led Bosnian government forces in Sarajevo.

Mr Alain Juppé, the French foreign minister, who visited Sarajevo yesterday, said he believed the Bosnian Serbs took the threat of air strikes seriously. "I think they are now conscious of the danger facing them," he said.

Lord Owen, the European Union's mediator at peace talks in Geneva between the three warring parties, was unusually optimistic in his assessment. "You are seeing the demilitarisation of a 20 km exclusion zone in Sarajevo," he said. "You can then go on to discuss the details of UN administration and total demilitarisation of Sarajevo district."

However, Bosnian Serb forces yesterday stepped up the shelling of other Moslem enclaves in Bosnia under UN protection, according to local radio stations.

There was heavy shelling of Bihac, in north-western Bosnia, while Serb tanks and artillery moved against Cazin, another town in the same enclave, causing heavy casualties, Bihac radio reported.

Meanwhile, a spokeswoman for the UN High Commissioner for Refugees in Geneva said that three international aid workers detained by Bosnian Serbs in Banja Luka were expected to be released today.

Mr Radovan Karadzic, the Bosnian Serb leader, in Geneva for the peace talks, has guaranteed the safety of aid workers. Bosnian Serb officials at their headquarters in Pale, near Sarajevo, played down suggestions that the aid workers were being held because of the threat of air strikes.

President Slobodan Milosevic of Serbia has remained silent on the Nato ultimatum while public opinion in Belgrade appears sceptical that the air strikes threat will be carried out. Mr Vuk Draskovic, leader of the main opposition coalition, said the ultimatum would not bring peace in Bosnia, but welcomed the withdrawal of heavy weapons from Sarajevo as "the very least that should be done by both sides".

UN Bosnia commander Lt Gen Sir Michael Rose (left) and France's Gen André Soubirou reconnoitre Sarajevo yesterday AP

Clinton and Yeltsin 'working together'

US President Bill Clinton and Russian President Boris Yeltsin yesterday agreed to work together to end the bloodshed in Bosnia, according to Mr Clinton, speaking after a telephone conversation with Mr Yeltsin, Reuter reports from Washington.

"We had a very good talk, and we agreed that we had the same long-term objective, which is achieving a just peace agreement, and the same short-term objective, relieving the shelling of Sarajevo, and we agreed there would be further discussions today at the UN," Mr Clinton said.

However, the United Nations Security Council, which was scheduled to meet on Bosnia late yesterday, postponed its meeting until Monday. The meeting is expected to discuss differing viewpoints, but not to issue any resolutions.

Russian parliamentary leaders have bitterly criticised Nato's threat of air strikes in Bosnia. Mr Yeltsin has made no public comment on the ultimatum, but he is clearly under pressure to prevent any use of force against the Serbs, traditional Russian allies.

US to press Moslems to accept partition

By Judy Dempsey in Geneva

The United States is expected to play a much greater role in pushing forward the Geneva peace talks on the former Yugoslavia now that Washington has backed the use of Nato air strikes against Serb-held positions around Sarajevo, diplomats said yesterday.

The US seems likely to use its influence to try to persuade the Bosnian government to accept the latest peace plan, they said.

"If the US wants to co-operate – and we need all the help we can get – it is very welcome," said an official involved in the peace negotiations headed by Lord Owen and Mr Thorwald Stoltenberg. Mr Charles Redman, Washington's special envoy, has been attending the recent round of talks in Geneva.

Any greater US involvement would give weight to the Geneva talks, despite sharp differences of policy and style between President Bill Clinton and Lord Owen. Last year, the Vance-Owen peace plan was openly rejected by the Clinton administration on the grounds that the Serbs were being rewarded for grabbing territory while the Bosnian Moslems were being left with an unviable state. The US however failed to put in place any alternative peace plan.

In Washington, officials denied the administration was shifting its policy. Ms Dee Dee Myers, the White House spokeswoman, said the US was not trying to force the Bosnian Moslems to accept the plan. "The idea that we would try to force a settlement on them which they would not be comfortable with would be just flat wrong," she said.

Nato needs final approval from UN secretary general Boutros Boutros Ghali before it can start air strikes around Sarajevo, Reuter reports. However, Mr Boutros Ghali has delegated authority to his special representative in Yugoslavia, Mr Yasushi Akashi.

The current plan, which envisages the creation of three ethnic mini-states within a notional republic of Bosnia-Hercegovina, has been partly rejected by the Bosnian government. The Bosnians would be given a third of the territory, the Serbs over a half, and the remainder allocated to the Croats.

All three sides have agreed that the Sarajevo government can have a 99-year-lease for the use of the Adriatic port of Ploce and access to the port on the Neretva River, both crucial for conducting international trade for the new Bosnian state.

But diplomats yesterday said a serious dispute over the status of 15 regions, mostly in eastern and north-eastern Bosnia, has prevented an overall agreement. The Bosnians argue that the swathes of territory being allotted to them by the negotiators are not a viable geographical entity.

As a means of creating such a state, the Bosnian government is proposing that refugees who were forced to flee should be allowed to return to the disputed territories. But the negotiators say this would mean more land would have to be granted to the Bosnian government, while the Serbs, for their part, yesterday said they would not make any more compromises.

Despite the threats of walkouts, all three sides held bilateral talks yesterday on the disputed regions, and today, the Bosnian Croats and Bosnian Serbs will meet. "We do not expect agreement in the coming days. So much also depends on what happens on the ground, especially in Sarajevo," an official said.

Hungary bans Nato overflights by Awacs

By Nicholas Denton in Budapest

Hungary yesterday hardened its opposition to international action against the Serbs, saying it would bar overflights by Nato surveillance aircraft in the event of an air strike against Bosnian Serb positions.

Awacs airborne radar aircraft have been flying over Hungary since late 1992, but the Budapest Foreign Ministry said yesterday that Hungary had agreed to overflights only for aircraft monitoring the no-fly zone over Bosnia.

"Awacs aircraft cannot be present in Hungarian airspace if it [an attack] takes place, that is natural," Mr Peter Boross, the Hungarian prime minister, said yesterday. "Hungary will not take part. We have to live with Serbia and the Serbian people for hundreds more years."

Mr Boross also said that sanctions against Serbia were ineffective, adding to bitter government complaints that the embargo had cost Hungary $1.5bn (£1bn), for which the international community had failed to make compensation.

Mr Boross's statement, which western diplomats described as a "departure", coincides with a warming in Hungary's relations with Serbia. At the end of January, Mr Geza Jeszenszky, the Hungarian foreign minister, met President Slobodan Milosevic of Serbia in Belgrade. Hungary said it was taking a "pragmatic" approach to relations with Serbia, but Belgrade hailed the visit as a breakthrough in bilateral relations.

Hungary maintains that its policy is unchanged and strenuously denies the suggestion that it is breaking ranks with the international community to conclude a separate tacit arrangement with Serbia.

The Foreign Ministry said Hungary was seeking integration into western institutions and could not risk its "clean record and credibility".

A rapprochement with Serbia, however, would ease the plight of the 400,000 ethnic Hungarians in the Serbian province of Vojvodina. Hungary fears they are vulnerable to "silent ethnic cleansing".

Budapest has also asked Serbia to allow shipping to travel unhindered down the Danube to guarantee land-locked Hungary's vital waterway access to the Black Sea.

French public pressing for action

By David Buchan in Paris

The French government's high-pressure tactics to lift the Sarajevo siege, reinforced by yesterday's dispatch of two ministers and the aircraft carrier Foch to the Adriatic, are rooted in a growing domestic demand for firm action.

An Ipsos opinion poll in today's Le Point magazine showed that 70 per cent of the French believe their country's forces should participate in air strikes on Serb positions. Some 54 per cent said Nato should bomb the Serbs anyway, while 55 per cent said France "should accept the risk of French military losses" in possible Serb reprisals.

French forces in former Yugoslavia have already suffered 18 dead and 281 wounded, with about half the casualties the direct result of the war, as distinct from accidents. This toll is not surprising, given that France – in addition to the 2,600 troops steaming towards the Adriatic in the Foch naval task force – has 5,793 in former Yugoslavia, 4,077 of them in Bosnia – nearly half the UN total.

Almost as if to remind his frustrated countrymen that they were not going to war, Mr Alain Juppé, the foreign minister, underlined yesterday on his way to Sarajevo that "there is no military solution to the conflict." The Nato aim was not to "throw the Serbs out of Sarajevo, where they have been for centuries... but to remove the artillery batteries which are bombarding it".

The overnight shelling showed that ceasefires could "only be a scrap of paper unless the artillery was removed", he said.

France's frustration at its troops being sniped at and humiliated in Sarajevo has hardened into a stronger desire for intervention than was evident in the Gulf war, though the National Front and the communist parties remain opposed to such action.

Mr Jean-Pierre Chevènement, the left-winger who resigned as defence minister over French participation in the Gulf war, said this week he recognised the need to threaten air strikes in Bosnia. A factor in his attitude, and that of many French, may be that France is now leading the US into Bosnia, in contrast to US leadership in the Gulf.

NEWS: INTERNATIONAL

Koran-quoting businessmen campaign to work on Friday

Pakistan's government is being pressed to switch the day of rest from Friday back to Sunday, writes Farhan Bokhari

"Hasten earnestly to the remembrance of God, and leave off Business: That is best for you, if ye but knew. And when the Prayer is finished, then may ye disperse through the land, and seek of the bounty of God."

These are the verses of the Koran – the Islamic holy book – which are being quoted by a growing number of Pakistani businessmen who want their government to change the weekly holiday from Friday to Sunday.

Mr Zulfikar Ali Bhutto, the former prime minister toppled in a coup in 1977 and hanged two years later, changed the day of rest from Sunday to Friday shortly before his downfall, in addition to other steps towards Islamisation of the country, such as prohibition of alcohol. Those steps were introduced in response to pressure from Islamic clerics who were leading an anti-government campaign at the time.

But now, some businessmen want the government led by the late premier's daughter, Ms Benazir Bhutto, to reverse the decision. If that happens, they stand to gain from another day of dealings with businesses across Asia and the western world. They argue that the Koranic verses only suggest the closure of business during the Friday afternoon prayers, to allow Moslems to attend prayer meetings, rather than observing it as a sabbath-style day of rest.

"When the time for Jumu'a [Friday] prayer comes, close your business and answer the summons loyally and earnestly, meet earnestly, pray, consult and learn by social contact: when the meeting is over, scatter and go about your business," wrote Mr Abdullah Yusuf Ali, a famous Islamic scholar, in his widely-read translation of the Koranic verses. Such interpretations have only added to the determination of businesses seeking the change.

"Having the Friday holiday, we are cut off for 40 per cent of the week," says Mr Haji Ghani, a leading stockbroker at the Karachi Stock Exchange (KSE), Pakistan's largest stock market. Mr Ghani is among brokers who support the change.

They argue that the market is in contact with big western markets for only three days a week. For them, a normal working day on Thursday is a partial waste due to the time difference with Europe and North America, because the KSE closes before those markets open.

"The change will help to improve Pakistan's exports and improve our business prospects," says Mr Mian Habibullah, a leading Pakistani industrialist who was recently appointed as the chairman of the government's Export Promotion Bureau.

A growing number of business chambers and trade associations are either formally or informally joining the call. Some have written letters to the government seeking the change, while others are trying to lobby local MPs in an effort to seek support.

Mr Ahmed Mukhtar, the commerce minister, concedes that there is a growing pressure from the business community, but adds that the government cannot reverse the decision, unless the issue gains national attention and there is widespread support.

"They [businessmen] are building a lobby. I am sure that whenever there is pressure from one community, and if they are able to convince the government that Friday should not be a holiday, with the passage of time the government may be forced to rethink," he says.

Mr Mukhtar says that ultimately the government may seek guidance from the National Council of Islamic Ideology. But he adds that it would only consider doing so if the pressure intensifies further.

The government's caution is largely based on expected resistance from Islamic nationalists, many of whom are convinced that the Friday holiday should be retained in recognition of the day's traditional significance for rest and prayers. "I don't see any religious objection, yet its a very important cultural issue," says Mr Khurshid Ahmed, a leading scholar on Islamic economics and a senator from the religious Jamaat-i-Islami party.

"It's a question of historical tradition, and from that viewpoint, there is no reason for the Moslem world to just neglect its own traditions and blindly follow the western tradition," says Mr Ahmed. He is also convinced that the change would carry few economic benefits.

Despite the large time difference between Japan and the US, the two countries are still able to do business, which shows that such time difference is not really a serious restriction in development of business relations, he says. Mr Ahmed warns the government against a political backlash if it takes steps to accept the demand from businesses.

Associated Press

US rice makes Tokyo debut

Shoppers crowded yesterday around a pile of packed Californian rice at a Tokyo supermarket (pictured above) as US rice went on sale for the first time at big supermarkets in Japan on a trial basis. The American rice was being sold for Y1,850 (£11.78) per 5kg pack, about 10 per cent cheaper than Japanese rice.

The import of foreign rice has been a serious political issue in Japan, provoking protests from farmers. Japan's refusal to import rice has also been a point of contention between the US and Japan in the context of the Gatt Uruguay Round of trade liberalisation negotiations.

It reached the point where the round, which was largely completed after more than seven years of talks, might have come to a halt over the rice imports.

However, to a great extent Tokyo's hand has been forced by a poor harvest last year, which according to estimates by the United Nations' Food and Agriculture fell by about 25 per cent to 9.7m tonnes.

Japan announced in September that typhoons and a cold summer would force it to import at least 1m tonnes. The international rice industry has since estimated that it might be in the market for up to 3m tonnes. Japan's entry to the rice import market has triggered a near doubling in international prices since September.

Peace process is losing credibility says Arafat

By Roger Matthews in Tunis

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, said yesterday he was astonished at Thursday's statement by Mr Yitzhak Rabin, Israel's prime minister, that there were no sacred dates for implementing the outline peace accord signed on September 13.

"I am astonished and very sorry to hear him say that. It is now nearly six months since the agreement was reached in Oslo and five months since the signing in Washington. Nothing has yet been implemented. What has been signed on September 13 must be adhered to by both sides. It is very important that we should quickly recover the credibility of the peace process," said Mr Arafat.

The PLO leader, interviewed at his headquarters in Tunis, also took issue with Mr Rabin about the time needed to complete the present round of negotiations, which has already been delayed well beyond the scheduled date of December 13. He said that only "some small items" needed to be finalised by two committees meeting next week in Egypt and Paris.

Aides of Mr Arafat had been alarmed by Mr Rabin's statement that, despite the successful conclusion of an agreement on the most important outstanding issues in Cairo this week, at least another month might be required to finish the negotiations over Israel's withdrawal from the Gaza Strip and Jericho in the West Bank.

"The major problems have been resolved," said Mr Arafat. He added that his negotiations this week in Cairo with Mr Shimon Peres, Israel's foreign minister, had not been easy but they had eventually made the necessary compromises. "In my opinion if we continue working with the same attitude then no more than two to three weeks is needed to sign the final agreement," he added.

Other PLO leaders in Tunis are becoming increasingly sceptical about Mr Rabin's willingness to implement the Washington accord and complained that new issues were constantly being raised in order to delay agreement. They also sensed that Israeli army commanders were exerting greater influence and feared that without external pressure from the US and members of the European Union the start of Israel's withdrawal could be put off for several more months.

Mr Arafat said yesterday that it was not his credibility that was at stake, but that of the peace process. He also brushed aside criticism from Palestinians in the occupied territories that he was abusing his authority and failing to consult others.

"Such criticism is part of our democracy. I am not leading a herd of sheep, but people who are freedom fighters," he said. "This criticism is proof that we have democracy. They have the right to voice their opinions. And the fact that they are saying these things shows that they wish to be fully involved in the peace process, not that they are against it."

Peres in plea on Israeli settlements

By Julian Ozanne in Jerusalem

Mr Shimon Peres, Israeli foreign minister, yesterday gave the strongest hint so far that Israel might have to abandon certain settlements in the occupied territories as implementation of Palestinian self-rule draws near.

Mr Peres' remarks, made on Israel Radio, will be welcomed by Palestinians who see settlements in the occupied territories as a thorn in the side of the peace process. But his statement will create a fierce backlash among Israeli settlers who fear the government eventually intends evacuating settlements from Palestinian lands.

Mr Peres said it was time to question whether some settlements should be abandoned in the interests of making peace with Palestinians, although Israel would not be forced to evacuate settlers under the pressure of negotiations.

"What is the point of maintaining a settlement with 28 families that needs workers from Thailand, that needs an army platoon to guard them, needs to have their road guarded by patrols? Where is the logic? What is the point?" he said.

Mr Peres was specifically referring to Netzarim, a tiny isolated settlement in the heart of the Gaza Strip. In off-the-record remarks other ministers in the government have said that Netzarim may have to be sacrificed.

Under the September Israeli-Palestinian peace accord all 125,000 settlers living in the West Bank and Gaza are to remain in the occupied territories and come under Israeli law. Palestinians say the existence of settlements, particularly the 16 settlements housing 4,500 Israelis in Gaza, is a moral outrage and could prove to be a flashpoint of future violence undermining the peace process.

Already the peace process has got bogged down over complicated security arrangements for the settlers in Gaza.

Murdoch to set up Indian TV company

By Shiraz Sidhva in New Delhi

Mr Rupert Murdoch, chairman of News Corporation, yesterday announced plans to set up Star India, a separate television company in India, to augment his Hong Kong-based Star TV.

Mr Murdoch, who met Mr Narasimha Rao, the Indian prime minister, ruled out any interest in Indian print media.

However, he is keen to expand his Star TV operations in India, which, with an estimated 60m viewers, has emerged as Star's largest market since China closed its doors on the network. Mr Murdoch attributes his interest in India to the fact that the country guarantees media freedom and there is great potential for advertising revenue.

The new company would be set up within a year, and be controlled by News Corporation. "We will be looking for investments with leading film and software producers in India. And one day, we will build our own major studios here," he said.

Soon after he had acquired the controlling stake in Star TV in July last year, Mr Murdoch bought 49.9 per cent of Asia Today, a Bombay-based company which transmits Zee, a Hindi language channel transmitted alongside Star's five channels.

Mr Murdoch also expressed keenness to start separate regional language channels, including one in Hindi.

Mr Murdoch is using his week-long visit to Delhi and Bombay to meet ministers, MPs, politicians, bureaucrats and industrialists. This week, he met President Shankar Dayal Sharma, Mr Manmohan Singh, the finance minister, and Mr Lal Krishan Advani, the president of the Hindu right-wing Bharatiya Janata party, besides Mr Rao.

Mr Rao cautioned that Indian society was very unlike the west, and that Mr Murdoch's broadcasting needed to take that into account.

"The Indian government has welcomed Mr Murdoch very warmly, but he must realise that this does not mean he has a carte blanche to do what he likes here," said an official in the prime minister's office.

The government, which accepted Mr Murdoch's gift of $10,000 to the prime minister's National Relief Fund yesterday, has not been very happy with Star's increasing audience – an estimated 10,000 households are added every day in India – which undermines the influence of Doordarshan, the state-owned network.

EU withdraws offer to open up banana trade

By Deborah Hargreaves

The European Commission yesterday withdrew its offer of increased access for Latin American producers to the $2.7bn (£1.8bn) European Union banana market. The Commission's decision came as the General Agreement on Tariffs and Trade published a report condemning the EU's banana trade arrangements.

The Commission's move is likely to sour relations between the EU and the Latin American banana producers even further. Five Latin American exporters have complained to Gatt about the EU's preferential trade arrangements for bananas with African, Caribbean and Pacific countries.

The Gatt report yesterday upheld the Latin Americans' complaint, saying that trade with ACP countries under the Lomé convention is outside Gatt rules. But since the adoption of the report can be blocked by any other Gatt member, it will almost certainly not be acted upon.

To try to head off the Gatt report, the Commission had offered the Latin Americans improved access to the banana market as long as they withdrew their complaint. But the improved offer of an import ceiling for bananas of 2.1m tonnes this year rising to 2.2m tonnes in 1995 was rejected by Costa Rica and Guatemala.

Costa Rica is looking for additional concessions. "If we have to operate under an illegal system without fair trade, we want to make sure our growers get the best deal," said Mr Roberto Rojas, Costa Rica's foreign minister.

Ironically, now that the EU and Latin Americans have failed to reach agreement on improved access, the banana regime implemented last July will remain in place. This leaves the Latin American producers worse off.

However, some member countries led by Germany also oppose the EU's banana trade regime – Germany has lodged a complaint with the European Court. The Costa Ricans are hoping Germany will back them in pushing for a more open EU banana trade.

IMF support for Jordan hangs on controversial tax reform vote

By James Whittington in Amman

Jordan's government this weekend embarks on a final attempt to implement a controversial sales tax after more than a year of postponements.

The tax is the last move in the kingdom's economic restructuring programme, sponsored by the International Monetary Fund. Its implementation is essential for continued IMF support and further debt-rescheduling talks with the country's creditors.

The tax, supposed to be a first step towards full value added tax, aims to spread the burden of indirect taxes to make way for an eventual reduction in the kingdom's high custom tariffs and protectionism. For the moment though, it is to replace and expand the current consumption tax.

The draft, to be presented today to parliament, has three rates: 10 per cent for most goods, 20 per cent for luxury items, and zero for food and medicine. This will supplant a cumbersome eleven-rate consumption tax which is levied on a limited list of consumer goods.

The government is trying to sell the reform as a "neutral" tax which will raise neither prices nor government revenues. But the private sector is not convinced. Having successfully lobbied for its postponement throughout 1993, it is appealing to parliament to block the sales tax altogether. One MP, Mrs Toujan Feisal, had already called on the public to take to the streets in opposition to the tax.

Local businessmen say they are already taxed heavily and the implementation of a sales tax will hinder economic growth. The Chambers of Industry and Commerce are pushing hard for a reduction in the general rate to 5 per cent among other things. "My concern is that the tax will increase the burden on the citizens and have a negative effect on the economy as a whole," argues Mr Khaldum Abu Hassan of the Amman Chamber of Industry.

However, Mr Sami Gammoh, the finance minister, says the reform is necessary to make Jordan more self-dependent. "The whole philosophy of the sales tax is that a wider base will allow government revenues to grow as the economy grows," he says. Jordan suffers from a budget deficit of 13 per cent of gross domestic product, or a projected JD465m for 1994, which is mostly covered by foreign aid. A prime objective of the IMF reform programme is to reduce this to less than 3 per cent of GDP.

The government is nervous that a rejection of the sales tax would send the wrong signal to the kingdom's creditors. Jordan's external debt of $6.8bn (£4.65bn) has one of the highest foreign debt-to-GDP ratios in the world (129 per cent) and it is essential for the government to push the tax through if it is to receive further assistance to support its fragile economy.

The sales tax is the first of a number of economic reforms on the government's agenda this year. The foreign investment law is also due to be amended, or least made more transparent, in the next few months. This will help facilitate non-Arab investment in the Amman stock exchange.

There are also plans to press on with privatisation. The national airline Royal Jordanian is expected to announce this year a timetable for its sale.

The reform plans come amid the prospect of peace in the region and eventual collaboration with a Palestinian entity and Israel. A recent World Bank report concluded that Jordan would lose out unless it embarked on a concerted effort of reform to reduce bureaucracy, loosen trade regulations, and improve the climate for investment. But the sales-tax saga demonstrates that such reforms will not be easy to push through.

Major to reassure Yeltsin over air strikes

By Philip Stephens, Political Editor

Mr John Major will seek to persuade Mr Boris Yeltsin, the Russian president, that threatened air strikes against Serbian forces do not signal a break with the west's commitment to a negotiated settlement in Bosnia.

British officials said Mr Major, who arrives in Moscow on Monday for two days of talks with the Russian government, would tell Mr Yeltsin that there was no question of Nato "taking sides" in the civil war.

Amid anger in Moscow over the Nato ultimatum, Mr Major will stress his view that US commitment to a more active role in the search for a settlement will enhance the prospects of an agreement.

He will also emphasise the limited nature of the threat to use military force against the Serbian forces besieging the Bosnian capital of Sarajevo.

In spite of denials from Downing Street, senior British ministers confirmed yesterday that Britain had backed the Nato warning to the Serbs only under intense pressure from the US administration.

Mr Major plans to deliver a calculated snub to Mr Vladimir Zhirinovsky, the ultra-nationalist leader of Russia's Liberal Democratic party, during his visit. Officials said that representatives of all the main parties in the Russian parliament had been invited to meet Mr Major at a reception at the British embassy – except Mr Zhirinovsky.

In spite of the British prime minister's determination to emphasise western support for Mr Yeltsin, he will deliver a firm warning that the Russian leader must not slow the pace of economic reform. Mr Major will also signal his concern for faster progress towards a market economy by holding talks with Mr Yegor Gaidar. Mr Gaidar, the architect of the reform process, last month refused to serve in Mr Yeltsin's government.

Officials said that Mr Major wanted to reinforce the message delivered last month by President Bill Clinton of the US that western financial support for President Yeltsin depends on the reform process continuing. The British prime minister is expected to sign new political and economic agreements to strengthen ties between the two countries.

Mr Douglas Hurd, the foreign secretary, plans to combine the Moscow trip with a meeting with the leaders of the three Baltic states in the Latvian capital of Riga. This is said by officials to be the first visit by any foreign secretary to the Baltic states.

Under starter's orders for a good cause race

Raymond Snoddy on the companies bidding for the right to run the National Lottery

One of the biggest sweepstakes in British history gets under way on Monday – the battle for the right to run the National Lottery, an enterprise that could become a £4bn-a-year business.

So far eight runners have publicly declared themselves although at least two other potential bidders have sent letters of intent to the National Lottery Office.

Mr Richard Branson is expected to deliver the bid from his non-profit making UK Lottery Foundation with the help of Desert Orchid, the racehorse.

The National Lottery's director general, Mr Peter Davis, who must make the choice, already feels lucky.

"I think we are going to have a number of really good applications which means that there is real competition and a good result for the good causes," says Mr Davis.

About 50 per cent of the National Lottery revenues are expected to go on prizes – including a top prize that could be more than £5m a week. Twelve per cent will go in tax and between 15 per cent and 17 per cent on total operating costs of which between 2 per cent and 3 per cent could be profit for the operator.

The rest, which could approach £1bn when the lottery is mature, will be split equally between the arts, charities, national heritage, a fund to mark the millenium and sport.

Mr Davis's decision – once he is satisfied of each bidder's probity, security, taste and viability – could turn on fractions of percentage points of overall revenue going to the good causes.

Ask the bidders themselves who they believe their main rivals are and the two names mentioned most frequently are Camelot and the Rank Organisation.

Camelot, run by Mr Tim Holly, brings together five companies with relevant experience – Cadbury Schweppes, to find the retail outlets, De La Rue, the security printers, ICL, which will provide computer terminals, Racal, the network management company and G-Tech, the lottery equipment company.

In contrast, Mr Michael Gifford at the Rank Organisation is running his bid in-house and pulling in his services – including Automated Wagering International of the US, the main G-Tech rival – by competitive tender. The single-company approach and Rank's casino interests may be controversial.

Three other names are mentioned as threats by their rivals – The Great British Lottery Company, Games For Good Causes and the NM *Rothschild/Tattersalls* consortium.

The approach of The Great British Lottery Company – Granada, Associated Newspapers, Hambros, Carlton Communications and Vodafone in partnership with AWI – is remarkably similar to that of Camelot. GBLC will probably have already spent £2m on its bid by Monday.

Games for Good Causes – run by Mr Malcom Hughes, former managing director of Vernons Pools – brings together Ladbroke and MAI, the television and financial services group. One third of the equity will be provided by institutions. It is unclear whether the Ladbroke connection will help or hinder.

Rothschilds and Tattersalls, for the moment a 50/50 joint venture, although a lot of institutional support is already in place, is a dark horse that could come through. With the backing of Rothschilds the business plan should add up and Tattersalls of Australia has a long record in lotteries.

The orthodox businessmen in the other consortia tend to underrate the threat posed by The Richard Branson-Lord Young UK Lottery Foundation, which plans to give all its profits to charity. They admire Mr Branson's flair for publicity and have had to shave a little extra off their profits and offer more to good causes – just in case. With IBM putting its name behind the foundation as technology partner the bid cannot be dismissed as hot air.

It is particularly difficult to put any odds on the bid from The Tote, the pooled on-course betting organisation backed by Lord Weinstock and GEC and Thorn EMI. There is betting experience and industrial muscle, but rivals place it down the field.

Rainbow, the consortium chaired by Sir Patrick Sheehy, chairman of BAT Industries, effectively ruled itself out as contender for the main operating licence by announcing it was only interested in the off-line part of the lottery – scratch cards. The winner might like to talk to Rainbow about sub-contracting some of its scratch card operations.

NATIONAL LOTTERY STAKES

FAVOURITES	
Camelot	*Widely fancied and broadly based consortium backed by Cadbury-Schweppes*
Rank	*Dark horse but chief executive Micheal Gifford should not be underestimated. Gambling experience could be an advantage - or not*
Great British Lottery Company	*Backed by Granada's retail skills and spending money like they've already won*
SERIOUS RIDERS	
UK Lottery Foundation	*Tends to be overlooked because of Branson's poor ITV franchise record. Serious contenders and all profits to go to charity*
Games for Good Causes	*A thoroughly professional outfit backed by Vernons Pools and Lord Hollick of MAI. The jackpot is not impossible*
NM Rothschild & Tattersalls	*Old money and old lottery knowledge, but little known about current form. Could come up on the rails*
OUTSIDERS	
Tote & GEC & Thorn EMI	*They're bidders but nothing else is known. Issued press release to say they wouldn't be saying anything*
Rainbow	*Virtually ruled itself out for the main prize by saying it was interested only in scratch-card games*

Declaration on peace a failure, says Molyneux

By Michael Cassell in Belfast

Mr James Molyneux, leader of the Ulster Unionist party, claimed yesterday that the Downing Street declaration aimed at securing peace in Northern Ireland had failed and he urged the British government to press on with talks aimed at securing a political settlement in the province.

Mr Molyneux's remarks described the London-Dublin initiative as an "experiment" which had obviously failed and said that while the two governments might not be ready to admit it, he was prepared to transmit the message "loud and clear".

In a BBC television interview he echoed the complaints of other Ulster politicians over the decision by Sir Patrick Mayhew, Northern Ireland secretary, to put his proposals for a devolved assembly in Northern Ireland to the government of the Irish Republic before the constitutional parties in the north had been given the opportunity to help in its formulation.

The government yesterday continued its efforts to step up its initiative among the constitutional parties when Sir Patrick met Dr John Alderdice, leader of the Alliance party. After the meeting, during which Dr Alderdice was briefed on the ideas submitted to Dublin, he said the session had been "reasonably useful". Sir Patrick is expected to see Mr John Hume, leader of the Social Democratic and Labour party, early next week.

Mr Ian Paisley, leader of the Democratic Unionist party, again attacked the joint declaration as a bar to further political progress. But in a by-election for Belfast City Council yesterday, during which the DUP had campaigned on a rejection of the declaration, Mr Paisley's party suffered a fall in its share of the vote.

● A continuation of the conflict in Northern Ireland will cost the British and Irish governments an estimated I£450m (£433m) per year with 75 per cent of the cost falling upon Britain, according to a study published yesterday by DKM economic consultants in Dublin, Tim Coone writes.

DKM estimates that the greatest savings, in peacetime, would accrue in security costs, amounting to I£222m in the province and I£91m in the Republic.

Considerable benefits would arise from additional foreign investment and increased tourism. Although the impact of lost foreign investment opportunities is not quantified, the study notes that the Republic has had much greater success in attracting investment from foreign-owned manufacturing firms than Northern Ireland.

The Economic Impact of the Northern Ireland Conflict. DKM Economic Consultants, Dublin.

Tories praise industrial success

Mr John Major yesterday appealed for more of Britain's best brains to enter industry and said more should be heard of the country's "remarkable" business successes, Andrew Baxter and David Owen write.

The prime minister said there was one school of thought which regarded manufacturing as marginal, but a second saw it as fundamental. "I take my stand with the second school," he said. "I don't regard manufacturing as a Cinderella industry. Making things matters."

Mr Major was speaking at a lunch in St Ives, Cambs, to mark the 25th anniversary of the Caparo Group, the steel and engineering business founded by Dr Swraj Paul, the Anglo-Indian businessman. His speech came as senior cabinet ministers praised the state of the economy and attacked Labour policies for business.

Mr Michael Portillo, chief secretary to the Treasury, said Labour's revelation that it believed Britain needed a business plan, would "send shivers down the spine" of anyone remembering the "corporatist" policies of the 1960s and 1970s.

Mr Michael Heseltine, trade and industry secretary, said the policies Labour had signed up to would result in a huge burden on business and an end to economic recovery.

Premium pledge for Sunday work

Eight of Britain's biggest retail chains yesterday pledged to pay premium rates to employees who work on Sundays.

Mr Bill Connor, deputy general secretary of Usdaw, the shopworkers' union, met representatives of retailers Argyll, Asda, Boots, Dixons, Kingfisher, Sainsbury, Tesco and W H Smith who reaffirmed their agreement to pay premium rates – at least time and a half – to Sunday workers.

The employers also agreed that an employee need only give one month's notice of an intention to opt out of Sunday work, rather than the statutory three months.

MGN pension action dropped

Capel-Cure Myers, the securities house, has dropped its £6m action against Credit Suisse over the Mirror Group Newspapers pension scheme. Capel-Cure was one of the fund managers which acted for the scheme and had alleged breach of trust over the handling of assets it had passed to the bank.

Under the terms of the settlement, Credit Suisse has continued not to admit any liability. Both sides have agreed to fund their own legal costs.

Unions discuss merger details

Delegates of the UCW and the NCU communications unions are meeting separately in Bournemouth, Dorset, this weekend to approve plans to form a 301,000 member-strong merged union.

They are being asked to back a legally-binding instrument of amalgamation and a new rulebook.

New plans for Milk Marque

Farmers signed up with Milk Marque, the voluntary co-operative to be formed when the Milk Marketing Board is abolished later this year, have been given a cooling-off period to change their minds.

The board yesterday submitted new plans for its reorganisation after the government had rejected its previous proposals because it said they would give Milk Marque too dominant a position.

The board said that when the plan was approved farmers would have two weeks to reconsider their position.

BMA told to stop issuing private health fees guide

By Alan Pike, Social Affairs Correspondent

The government yesterday accepted a Monopolies and Mergers Commission recommendation that the British Medical Association should stop publishing fee guidelines for consultants' private practice.

Mr Neil Hamilton, corporate affairs minister, said an MMC investigation had established that, by following the guidelines, consultants could "charge higher fees than would otherwise be possible".

The BMA immediately agreed to cease publication and distribution of its guidelines, but attacked the decision as perverse.

It said the MMC's own research showed that 70 per cent of the private healthcare market was influenced by the fees schedules of Bupa, the biggest medical insurer, and other provident associations. The MMC decided that publication of the Bupa fee scales could continue.

It found in its report, published yesterday, that a complex monopoly under the 1973 Fair Trading Act existed because of the way some National Health Service consultants fixed their charges for private work by reference to the BMA or Bupa guidelines.

In 1992, says the report, about 6,600 consultants followed the Bupa benefit maxima and 3,400 the BMA guidelines. Both were treated by the consultants as tariffs, with the doctors setting at least half their charges within 2 per cent of the BMA or Bupa figures.

The report recommends prohibiting publication of the BMA guidelines and introducing greater clarity into the setting of consultants' charges.

It concludes that Bupa's published scales were not sufficiently connected with the consultants who acted on them to be included in the complex monopoly. A distinction should be drawn between insurers' benefits, "the publication of which we accept is a proper step for the carrying out of their function as insurers", and the BMA guidelines "which are designed to help organise the market."

Given the relatively weak position of patients in the private healthcare market, says the report, Bupa and the other insurers were the principal counterweight to the consultants. The Bupa benefits maxima, which were generally lower than the BMA guidelines, "have had a restraining effect on consultants' charges".

The issue of private consultants' fees was referred to the MMC in September, 1992, following concerns over the introduction of the BMA guidelines in 1989.

Many consultants, says the report, found price competition distasteful or even unethical.

Private Medical Services. Monopolies and Mergers Commission. HMSO. £23.

Ellington pit votes to close

By Chris Tighe

Miners at Ellington colliery in Northumberland, the last pit in north-east England, yesterday voted to accept closure, reversing their decision last weekend to put the mine into the industry's colliery review procedure.

Union officials, who had recommended fighting the closure, said they were disappointed, but understood the men's decision against a background of deep uncertainty, mistrust of British Coal and high local unemployment.

The redundancy package on offer to the 1,100 Ellington employees, worth up to £47,000 for the longest serving, includes a £7,000 bonus offered by British Coal since mid-1993 at pits where it was seeking immediate closure, plus a further £3,000 top up offered at five pits named for closure since the start of 1994.

"At the end of the day they were bribed out," said Mr Ian Lavery, Ellington NUM lodge secretary. Production stopped yesterday at the pit. British Coal has yet to decide when its pit ponies, Britain's last, will be brought to the surface.

Mining unions plan to meet British Alcan, whose adjacent aluminium smelter is Ellington's main customer, to discuss the chance that the company may bid for the pit in a joint venture with Ryan Group.

Seven hundred miners at Ollerton colliery and a further 700 at Annesley colliery, both in Nottinghamshire, also voted yesterday to accept closure.

MPs back ban on tobacco adverts

By James Blitz

Legislation to ban tobacco advertising crossed a tough parliamentary hurdle yesterday after a private member's bill gained the support of more than a third of the MPs in the Commons.

The Tobacco Advertising Bill, proposed by Mr Kevin Barron, a backbench Labour MP, passed its second reading in spite of strong opposition from a number of government ministers.

The bill will now be debated by a parliamentary committee where ministerial opposition will almost certainly be stepped up.

The scale of support for the legislation on both sides of the House took the government by surprise. In a free vote, a motion to close the day's debate and push the bill to its next stage was passed by 227 votes to 17, a majority of 210.

Under Commons' rules, the Friday debate on a private member's bill must be formally closed by the early afternoon if it is to make any more progress. It must also be supported by more than 100 MPs.

Mr Barron claimed yesterday that it was almost unprecedented for the division on a Friday debate to be so well attended. "It shows the concern [MPs] have over the influence tobacco advertising has on the health of children in the UK," he said.

In recent months, the legislation appears to have gained support from influential circles – overcoming opposition from the powerful tobacco industry.

A leaked cabinet memorandum recently showed that three ministers – including Mr Michael Heseltine, trade and industry secretary – in November urged that the ban should be supported.

They opposed Mrs Virginia Bottomley, the health secretary, who told the cabinet that she backed extending the limitations on advertising, including adverts on posters, shopfronts and women's magazines.

■ Negligible benefits for small users ■ Companies fear pressure to renegotiate contracts ■ Generators may drive hard bargains

Power deal disappoints competitors

By Michael Smith

The Major Energy Users' Association was full of praise for the settlement with National Power and PowerGen that Professor Stephen Littlechild, electricity industry regulator, announced yesterday – but there were plenty of others with grievances.

The regulator has agreed not to refer the generators to the Monopolies and Mergers Commission but complainants, including consumers' associations, pointed out that the settlement would have a limited benefit for householders.

Losers include Nuclear Electric, the third big generator in England and Wales, and, in the short term, other independent power companies.

Prof Littlechild's oft-stated intention is to bring as much competition to the market as possible. It is ironic that the loudest complainants about yesterday's settlement were from the very companies that he is trying to encourage to improve the market.

"We do not understand why he thinks that artificially depressing prices will encourage competition," said Mr David Porter, representing the Association of Independent Electricity Producers. The association argues that the lower the rewards that generators can make from electricity the less likely they are to want to build new plants.

Some of the regional electricity companies also felt aggrieved. They say they were not consulted or warned about the changes in prospective pool prices. The changes will have a considerable impact on contracts they have been negotiating with users of 100kWh and above who from April will be able to choose who supplies them with power.

Yorkshire Electricity was one of several companies inundated with calls from 100kWh customers who wanted to know the implications. Several regionals fear pressure to renegotiate contracts.

Yesterday's settlement will have only a marginal effect on regional power companies' profitability since most of the power they buy from the generators is on long-term contracts backed by hedging agreements.

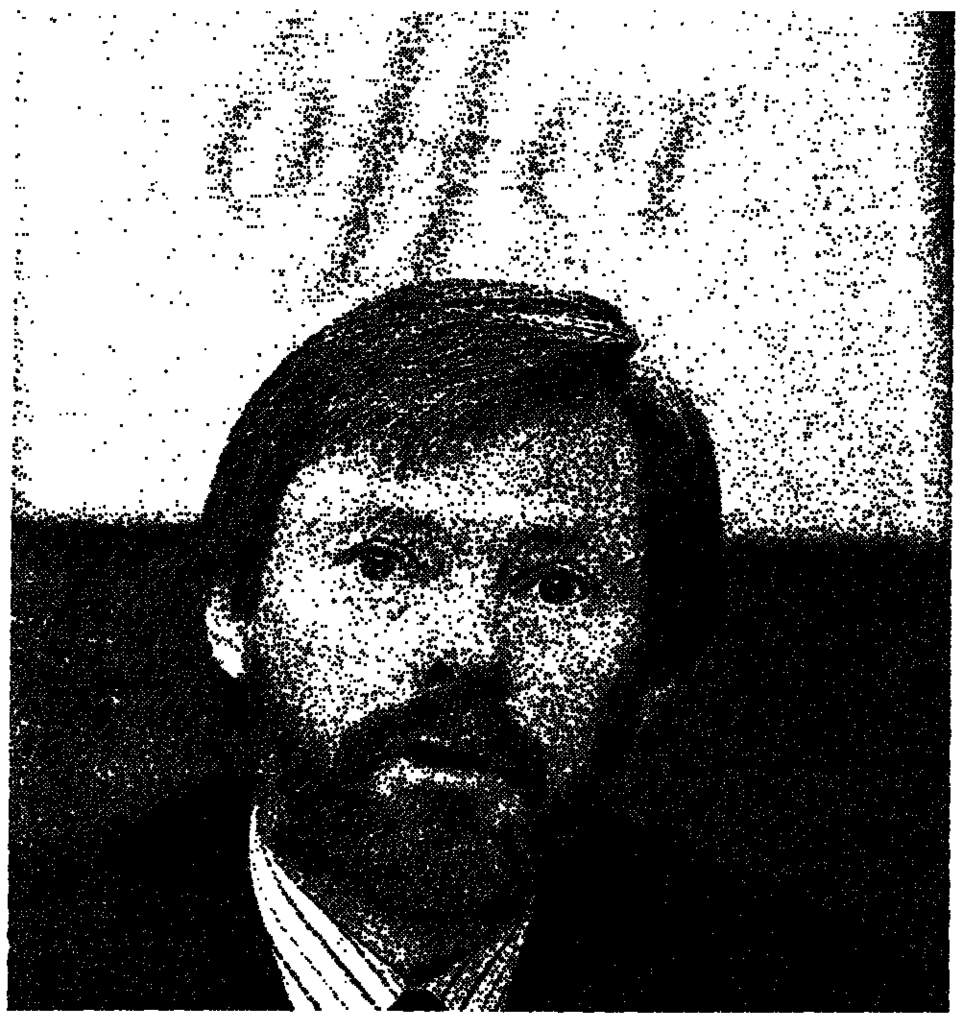
Some may even benefit because prices of electricity not covered by hedging contracts will fall. All of the regional companies were relieved that Prof Littlechild avoided a reference to the commission which would have disrupted the whole market.

But perhaps the biggest sighs of relief yesterday were from the electricity generators, the companies whose price bidding behaviour sparked the inquiry, the results of which were published yesterday and who had the most to lose.

Prof Littlechild's investigation found no evidence of abuse by either company of their market position. More importantly, the settlement will be less punitive than some analysts had feared and will leave both companies with considerable market clout and profits at the end of the two years that the deal lasts.

The two main elements of the agreement are a cap on prices that the generators charge, and therefore the price in the electricity pool, and an agreement that the generators "use all reasonable endeavours" to sell 6,000MW of their generating plant.

The impact of the cap could be to reduce potential prices in the pool by about 7 per cent but some analysts were suggesting yesterday that this assumes that prices had continued at the high levels of the first half of this financial year. Prices have fallen since then.



Ashley Ashwood
Stephen Littlechild announcing the settlement with the two main generators in London yesterday

The companies were stressing that the cap was on prices rather than on profits; National Power talked about a "modest adverse impact" on its future profitability.

Analysts were downgrading their profits forecast for the next two years, when the cap will be in force, but not by amounts that would upset their expectations on dividend growth, one of the main criteria by which electricity companies are judged by the market.

S.G Warburg Securities thought the settlement would cost National Power £40m a year in profits over the next two years and PowerGen £20m. It expects National Power to make pre-tax profits next year of £650m, down on this year's expected £670m, and PowerGen to make £470m, about level with this year's forecast.

Other security houses were downgrading by smaller amounts, partly because they believe the generators will have more scope through the agreement to make profits by increasing differentials between prices at peak- and low-demand times.

But the cap is temporary, a makeshift arrangement while competition develops more fully. The success of the settlement will depend on how the generators dispose of their plants in the future.

The regulator was yesterday putting a different gloss on the plant disposals agreement than the generators. While he warned that he may renew his threat to refer the generators at the end of next year if they had not made satisfactory progress on the sales, the generators were warning that they were not going to be rushed into a fire sale.

There could yet be significant arguments with the regulator and prospective purchasers over what price the plant should be sold at.

The likelihood is that the generators will make at least some of the disposals. But even if they do there is no guarantee that this will lead to lower prices. This is because prices in the wholesale electricity pool are determined by the most expensive plant needed to run the system. The most expensive plants may still be in the hands of National Power and PowerGen because anything they sell is likely to be offered at low prices by the new owner to make the purchase economically viable.

If that were the case the generators would find it easier to lift their prices again when the cap ends. Prof Littlechild's work is far from from over.

Industrial users to gain most from 7% reduction

By David Lascelles, Resources Editor

All electricity consumers should benefit from yesterday's agreement, but big industrial users will see the greatest gains. For smaller companies and households, the difference will be small or negligible.

The agreement will reduce average pool prices by 7 per cent, but this saving will go directly only to large companies, such as ICI and Blue Circle, that buy electricity straight from the wholesale market and have been badgering the government to force power prices down. There will also be savings for companies that have contracts with distributors whose price is based on the pool price.

The saving will be diluted for the great majority of smaller industrial users, which buy their power from electricity distributors. In this market, the pool price only accounts for about half the final price because other distribution costs are added. However, from April 1995, smaller companies will be able to negotiate their own terms with electricity distributors, so they may be able to wrest some of this saving for themselves.

For private households, the pool price accounts for less than a third of the quarterly bill, so a cut of 7 per cent would translate into a saving of about 2 per cent.

However even this is unlikely because regional electricity distributors buy their power from the generators under long-term contracts whose prices have already been fixed.

Britain's electricity prices are about average for Europe, according to the Electricity Association, the trade group, though its figures have often been challenged by user groups. And yesterday's agreement will not alter the ranking dramatically.

With an average industrial electricity price of 5.3p per unit, the UK is well behind Germany with 7.6p but well above Denmark with 4.2p. Household electricity is below the EU average at 9.3p in a range extending from Belgium with 13p to Greece with 7.7p.

Even so, electricity distributors are under mounting pressure both from politicians and from Prof Stephen Littlechild, their regulator, to reduce electricity bills. Last week the National Consumer Council accused the electricity industry of making "unjustified" price increases of 13 per cent between 1990 and 1993.

The Electricity Association's own figures show that while prices levelled out in the 1980s, they closely tracked the rising retail price index once privatisation was on the cards.

While the distribution companies have not cut their prices, they have tried to woo customers with price freezes and rebates. On Monday, Eastern Electricity, the largest of them, announced £50m of rebates. Eastern claimed that its customers had seen a rise of 6.1 per cent, including rebates, since privatisation against an increase of 15.4 per cent in the RPI over the same period.

There was no immediate rush yesterday to buy the power stations that National Power and PowerGen have agreed to sell.

This was partly because the agreement includes measures to hold down the price of electricity, making investment in the business less attractive.

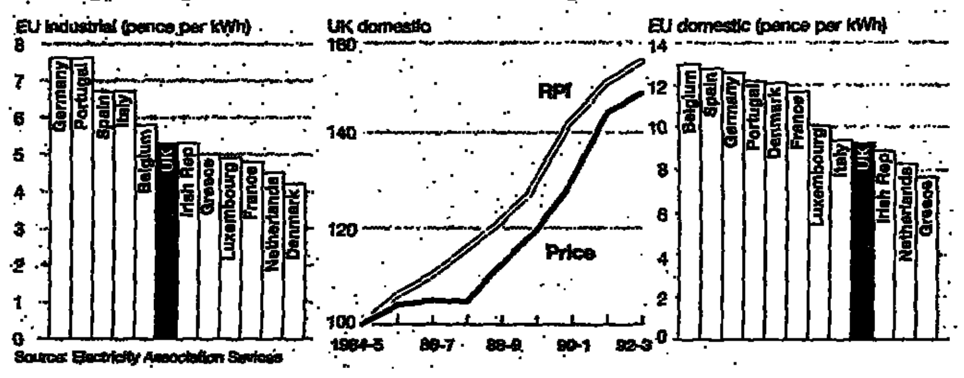
Another reason is that the two are likely to prove tough bargainers with future competitors. Being financially strong, they are also not interested in transforming more assets into low-yielding cash.

Mr Christopher Rowland, utilities analyst at Merrill Lynch, who tried unsuccessfully last year to buy a power station from the generators, said he thought a foreign purchaser was most likely.

A generator from the US or continental Europe might be willing to exchange stations to gain a foothold in the UK. This would also give the UK generators a way to enter other markets.

Among potential UK buyers, analysts pointed to British Gas, which is being forced to yield part of its market. Others might include the Scottish electricity companies. Scottish Hydro-Electric said: "We shall be looking at the opportunities this announcement brings."

European prices: how the UK compares



Source: Electricity Association Services

'Customers set to benefit by up to £500m'

Extract from statement by Professor Littlechild on agreement with the generators.

I have considered what a reasonable path of prices might be until a fully competitive market can be achieved.

I have done this by assessing what average price would be necessary to cover projections of the two generators' avoidable operating costs, other costs including a programme of capital expenditure on low nitrogen oxides (NOx) burners, flue gas desulphurisation (FGD) retro-fitting and new combined cycle gas turbines (CCGTs) to meet environmental standards, plus an allowance for interest and returns to shareholders.

The results are sensitive to the precise assumptions about each of the components. However, the broad conclusion is that for the next few years the two generators could achieve sufficient revenues at pool prices somewhat below the average levels obtaining so far in this financial year.

The two companies argued that pool purchase price to date has not been sufficient to cover the avoidable costs of much mid-merit and peaking plant. My calculations suggest that the avoidable costs of mid-merit plant could be met by higher peak prices more than offset by lower off-peak prices. There does not need to be an increase in average pool price to cover these avoidable costs.

The differential between peak and off-peak prices may well need to be greater ... to sustain mid-merit and peaking plant in a competitive market. Such a greater differential would encourage new entry in this part of the market and test whether peak demand could be met by cheaper plant.

There has been an increase in competition in generation, and more is in prospect. However, experience suggests that the extent of competition is not sufficient to restrain National Power and PowerGen if they wish to increase prices. Nor is it certain that the additional baseload capacity under construction will provide an adequate check. This capacity will in any case not be fully available on the system much before the end of 1995. I therefore proposed that National Power and PowerGen should undertake to use all reasonable endeavours to negotiate the sale or disposal of about 4,000MW and 2,000MW respectively of coal-fired or oil-fired generation plant for operation in the England and Wales market within two years.

Such an increase in competition in generation would help to prevent prices being held above a competitive level, provide greater choice and protection for customers, and promote greater competition in supply.

I proposed that National Power and PowerGen should each undertake to bid into the pool in such a way that, under reasonable assumptions of other generators' bids and taking seasonal fluctuations into account, average annual pool purchase price would in normal circumstances reasonably be expected not to exceed 2.4p/kWh time-weighted and 2.55p/kWh demand-weighted (both in October 1993 prices).

They should also undertake to agree prices in new electricity supply-and-purchase contracts consistent with this, plus where applicable a reasonable hedge against pool purchase price and a reasonable allowance for uplift and their supply business costs.

These undertakings would represent reductions in pool purchase price of up to 7 per cent from the levels obtaining so far this financial year. Moreover, these reduced prices would be held for two full years. On this basis, the reductions in average pool prices associated with these undertakings would yield benefits to customers of up to £500m over the next two years.

These benefits derive from a general reduction in pool prices rather than from the revenues of National Power and PowerGen alone.

I have satisfied myself that such reductions in pool and short-term contract prices would not reduce the revenues of National Power and PowerGen below such a level. As to other generators, I am satisfied that these prices would be above avoidable cost and not predatory or otherwise anti-competitive.

Trade gap rises to £1.04bn

By Philip Coggan, Economics Correspondent

The UK's visible trade deficit widened to £1.04bn in November, as the value of exports fell 5.5 per cent from October. Meanwhile, a net £700m revision to earlier figures pushed up the deficit for the first 11 months of 1993 to £11.2bn.

The figures, published by the Central Statistical Office yesterday, show that, in volume terms, imports have been growing while exports have been falling over the last few months. However, the impact of this on the deficit has been disguised by falling import prices. In the three months to November, import prices were 2 per cent lower than in the previous three months, while export prices were 2 per cent higher.

The CSO estimates that the trend in exports is a 0.5 per cent decline per month, while imports are increasing at 0.5 per cent a month.

The visible trade deficit with European Union countries in November was £262m. Added to the £773m deficit with non-EU countries, which had already been reported, the November deficit was just under £1.04bn, up from £703m in October. The CSO said there had been a fall in exports to France, but an increase in exports to Germany.

Trade with countries inside and outside the EU
Balance of payments basis (£m seasonally adjusted)

	Exports			Imports			Visible balance				
	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	Invisibles balance	Current balance
'91	58,936	44,477	103,413	59,814	53,883	113,697	-878	-9,406	-10,284	2,632	-7,652
'92	60,365	46,682	107,047	64,022	56,431	120,453	-3,657	-9,749	-13,406	4,859	-8,547
'93	n/a	57,232	n/a	n/a	66,771	n/a	n/a	-9,539	n/a	n/a	n/a
Q1	16,388	13,600	29,988	16,605	16,730	33,335	-217	-3,130	-3,347	393	-2,954
Q2	15,589	14,141	29,730	16,638	16,297	32,935	-1,049	-2,156	-3,205	708	-2,497
Q3	16,265	14,526	30,791	16,703	16,953	33,656	-438	-2,427	-2,865	777	-2,088
Q4	n/a	14,965	n/a	n/a	16,791	n/a	n/a	-1,826	n/a	n/a	n/a
Jun	5,283	4,841	10,124	5,690	5,421	11,111	-407	-580	-987		
Jly	5,194	4,828	10,022	5,614	5,582	11,196	-420	-754	-1,174		
Aug	5,665	4,884	10,549	5,314	5,620	10,934	351	-736	-385		
Sep	5,406	4,814	10,220	5,775	5,751	11,526	-369	-937	-1,306		
Oct	5,254	5,174	10,428	5,579	5,552	11,131	-325	-378	-703		
Nov	5,072	4,781	9,853	5,334	5,554	10,888	-262	-773	-1,035		
Dec	n/a	5,910	n/a	n/a	5,685	n/a	n/a	-675	n/a		

Source CSO

EU trade figures are now collected under the Intrastat system, which is based on the collection of value added tax. Since the new system was introduced at the start of last year, there has been a sharp divergence in the trend of EU and non-EU trade. Many City economists believe this has been caused by the under-recording of EU imports. The CSO said it was investigating this possibility.

Meanwhile, the CSO gave more details of the so-called "Rotterdam effect", which it had previously used to explain the divergence. Prior to the introduction of Intrastat, some exports may have been recorded as coming from Rotterdam, when they had merely passed through the port. Under the new system, such imports are now correctly being recorded as coming from outside the EU. The CSO feels this factor may account for about £100m of reclassified imports a month.

If oil and erratics are excluded, the November deficit was £1.42bn, up from £1.21bn in October. In seasonally adjusted volume terms, non-oil and erratic exports were 2 per cent lower in the three months to November than in the previous three months, while imports were 3 per cent higher.

Mr Robert Barrie, UK economist at Barclays de Zoete Wedd, said the rise in imports could have been caused by stockbuilding and investment by companies as the recovery became more broadly based.

Pension bonds lift National Savings

By Alison Smith

Pensioners' guaranteed income bonds attracted £75m of funds in the first 10 days they were on sale, National Savings reported yesterday.

The amount involved is lower than the £93m attracted in a similar period for the National Savings First Option bond almost two years ago, although the number of savers, at 9,400, is higher. The clash between societies and the government over the First Option bond culminated in its temporary withdrawal.

When the pensioners' bonds were announced in November's budget, there was concern among building societies that their terms might act as a drain on societies' retail savings. Yesterday's figures appeared to offer them some relief.

The bond, which went on sale on 21 January, offers an interest rate of 7 per cent gross fixed for five years for people aged 65 and over.

Total gross sales of all National Savings products in January amounted to £840m.

City jitters greet Clarke's cut in rates

"It's the first mistake Clarke has made," said Mr Jim O'Neill, currency strategist at Swiss Bank Corporation. The rest of the City seems to feel the same about Tuesday's quarter-point cut in interest rates.

Not only has the FT-SE 100 share index ended the week 40 points lower than before the cut, but the pound has lost more than three cents against the dollar and four pfennigs against the D-Mark, and gilts are down three points.

Mr Kenneth Clarke, the chancellor, may be riding high in the opinion of Tory backbenchers. But after a tax-raising Budget that delighted the markets, the City has this week lost some of its confidence.

Mr O'Neill added: "We're all entitled to one [mistake], but it undermines the idea that he and Eddie [George, governor of the Bank of England] have got it all worked out."

Mr Derek Scott of Barclays de Zoete Wedd said: "Eddie George and Ken Clarke do not have the credibility of Alan Greenspan [the chairman of the US Federal Reserve]. It all depends now on whether Clarke will take pre-emptive action to stamp out inflation."

The cut, which came hard on the heels of inflation-beating pay rises of about 3 per cent for public-sector workers, raised fears that Mr Clarke's overriding priority was no longer to get inflation down but to go for recovery – both in the economy and the government's popularity. The City remembers all too clearly that Mr Clarke came to the Treasury

The chancellor can occasionally 'charge into a room and drop a scatter-grenade'

expressing concern about manufacturing, the unemployed and Britain's role in Europe.

But if the City is jittery, Tory backbenchers are more confident about his stewardship of the economy – whatever they feel about his politics.

Mr John Watts, Conservative chairman of the Commons Treasury and civil service committee, said yesterday that the Budget statement was "about right" and well- presented.

Like many at Westminster, he admires the chancellor's direct style. But Mr Watts is also concerned about the chancellor's approach – he can occasionally "charge into a room and drop a scatter-grenade", said Mr Watts.

He believes the chancellor was unwise to tell a recent meeting of his committee that the Budget had put an additional 7p on income tax. It played into the hands of the opposition, he said.

Mr Clarke may have made a more serious blunder by recently admitting on television that he would resign if Lord Justice Scott's inquiry into the sale of arms to Iraq finds that he had acted improperly as a minister in the late 1980s.

On the right of the party, Mr Clarke attracts criticism from those who who see him as the main challenger to Mr Major from the left.

What this week makes clear, however, is that the markets are too concerned about Mr Clarke's macroeconomic strategy now to start worrying about his departure.

Rachel Johnson
James Blitz

Fresh bids invited for city's bus companies

The Greater Manchester Passenger Transport Authority announced yesterday that it was ready to consider revised bids for both of its bus companies, Charles Batchelor writes.

The authority is to consider a revised bid, thought to be worth nearly £25m, for Greater Manchester Buses North from an employee buy-out team. It has also invited British Bus, a private company that was initially the preferred bidder, to *resubmit its bid*.

The authority has also given the employee buy-out team which has bid for Greater Manchester Buses South until Tuesday to confirm they are able to continue with their bid, thought to be worth about £15m. Stagecoach Holdings, a Perth-based bus company, has made a bid believed to be worth about £20m.

MoD drops contract probe

ICL, the UK-based computer company owned by Fujitsu of Japan, has been cleared of overcharging on government contracts after an investigation by Ministry of Defence police.

A former manager for ICL subsidiary ICTS – now called Workplace Technologies – alleged last June that he had been made redundant after warning senior managers that the company would make excessive profits on certain contracts. Workplace Technologies supplies cabling and other office-based services. A specific allegation was that the company had overcharged the ministry on a contract worth £911,938.

New issues record

UK borrowers announced a £5.54bn of new issues in January, the largest monthly figure since this series of statistics began in 1986. Of the total, £3.97bn were denominated in sterling, and announcements of sterling issues by overseas borrowers totalled £796m. The figures cover equity and bond issues.

Company insolvency down by 15%

By Richard Lapper

Company insolvencies in England and Wales fell 15 per cent last year, providing further evidence that economic recovery is under way, according to the British Chambers of Commerce.

Total company insolvencies in 1993 were 20,825 on a seasonally adjusted basis, a fall of 15 per cent on 1992. Individual insolvencies fell by 0.4 per cent to 36,645.

In the fourth quarter the number of company insolvencies fell by 9 per cent to 4,634 compared to the previous quarter, and the lowest figure since the fourth quarter of 1990.

The number of individual insolvencies was down by 7 per cent to 8,513 on the previous quarter.

Mr Richard Brown, deputy director-general of the British Chambers of Commerce, said that the fall in insolvencies was good for the confidence of both employees and consumers. "It will staunch the decline in capacity and will continue to ease the burden of bad debt on business," said Mr Brown.

"While insolvencies are still at a higher level than pre-recession, the improvement has been clear and steady for over a year and looks set to continue."

For 1993 the number of company insolvencies stood at 2.3 per cent of active companies and 2 per cent of registered companies.

Of the insolvencies 8,361 were compulsory liquidations, while 12,464 were creditors' voluntary liquidations.

In Scotland the number of insolvencies fell to 107 in the fourth quarter, according to provisional figures that were not seasonally adjusted.

On the same basis Scottish insolvencies for 1993 amounted to 551 compared to 670 in 1992. The number of individual insolvencies in Scotland fell to 411, in the fourth quarter (again on provisional non-seasonably adjusted figures), compared to 404 in the third quarter, itself the lowest figure since the third quarter of 1988.

Foreigners hold eighth of shares

By Graham Bowley

Overseas investors held about 12 per cent, or £75bn, of all UK shares at the end of 1992, figures from the Central Statistical Office showed yesterday.

US investors accounted for just under half of the overseas total, at £36bn, while the Japanese represented 2.7 per cent. Continental Europeans were the second largest overseas shareholders, owning about 17.5 per cent, or £13bn, followed by Opec investors, with 6.4 per cent, about £5bn.

The figures appear in the CSO's annual share register survey, which includes investors' countries of residence for the first time. The figures are subject to uncertainty because the CSO was unable to allocate about £15bn of overseas holdings to particular areas.

UK financial institutions held the largest proportion, 56.6 per cent, or £351bn, of UK shares. Among the institutions, pension funds were dominant, with around £215bn – or a third of all shares – and insurance companies with £103bn, about a sixth. Individuals owned 20.3 per cent.

The survey revealed that about 23,000 holdings, worth between £10m and £50m, were held by individuals in the Channel Islands and the Isle of Man. Registers of 191 companies were covered by the survey, representing about 79 per cent of the capitalisation of UK companies' ordinary shares listed on the International Stock Exchange in London.

FINANCIAL TIMES

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Shoot-out in the DC corral

US president Bill Clinton believes that Japan is the bad guy of world trade. It must change its ways, or else. Asked about the possibility of US trade retaliation against Japan, White House spokeswoman Dee Dee Myers announced that US trade representative Mickey Kantor "is not ruling anything out. We want a good agreement or no agreement. We won't settle for anything less."

The pity is that the agreement the Americans want is such a bad one. True, US pressure has often been helpful to Japanese reformers. But the quantitative indicators of market opening sought by the US are another matter. They will be helpful to the Japanese only to the extent that refusal to accede should increase Mr Morihiro Hosokawa's prestige back home. But the price of this fight will be a high one. The Japanese prime minister must choose between being shot by Mr Clinton in the front or, should he accept US demands, by his compatriots in the back. Either way, he would lose. So, more significantly, would the relationship.

What makes these conflicts over the Japanese external surpluses surprising is that they have proved so enduring. In the second half of the 1980s, when the political force of complaints about Japan started building to a crescendo, the US economy, albeit growing steadily, was burdened by the alleged calamity of its twin fiscal and current account deficits. Meanwhile, Japanese gross domestic product grew by more than 4 per cent every year between 1984 and 1991, except one.

How very different the 1990s have been. The Japanese economy has stagnated since the last quarter of 1991, with little prospect of a strong recovery this year, notwithstanding announcement of the *fourth in a series of emergency* fiscal packages. Meanwhile, the US economy, after a shallow recession in 1990 and 1991, has outperformed Japan in 1992 and 1993. It is confidently expected to do the same again in 1994.

Melted away

Those twin US deficits have also melted away, partly because of the successful efforts of the Clinton administration. In last December's Economic Outlook, the OECD Secretariat estimated that the overall US structural fiscal deficit peaked in 1992 at 4 per cent of GDP, but should fall to only 2.7 per cent this year. How happy Mr Kenneth Clarke would be to have such a prospect. Meanwhile, the federal deficit was forecast in Mr Clinton's budget proposals this week, if on somewhat optimistic assumptions about future spending, to fall further, from $234.5bn (3.5 per cent of GDP) in fiscal 1994 to a trough of 2.3 per cent of GDP in fiscal 1996.

As a percentage of GDP the US current account deficit peaked at 3.7 per cent in 1987. It disappeared in the early 1990s, but is still expected to be only about 2 per cent this year, despite the recovery. Given that recovery and given also the low overall US savings rate, this inflow of capital should be welcomed as a benign boost to a confident US economy.

Why then are complaints about Japan so persistent? The short answer must be sheer obstinacy. The long answer is that the overall Japanese current account surplus, after falling from a peak of 4.3 per cent of GDP in 1986 to a trough of 1.2 per cent in 1990, is once more over 3 per cent. More politically significant perhaps is the fact that Japan's bilateral surplus with the US, at close to $60bn in 1993, is at nominal levels last seen in 1986 and 1987. But this is misleading. As a share of gross domestic product, the Japanese bilateral surplus was 1.4 per cent of US GDP in 1986, but only 0.9 per cent of GDP last year.

Home truths

Instead of pandering to domestic pressure, Mr Clinton should be telling his compatriots some home truths: that the US economy is performing well and the Japanese economy badly; that the US external position has improved; that the bilateral deficit with Japan has shrunk as a share of US GDP, even though US demand has been growing, while Japanese demand has not; and, last but not least, he could ask why any sensible person should care about a bilateral balance.

The president should also be telling the Japanese what they need to hear: that recalcitrance *over radical deregulation* is damaging to themselves and intolerable for everyone else; and that the Ministry of Finance and Bank of Japan are making a mess of fiscal and monetary policies. The Japanese finance ministry has already asked the government to follow the record Y15,250bn (£95bn) pump-priming package announced this week with an austere budget for the coming year. The question Mr Clinton must ask is why. Japan has by far the strongest fiscal position of any major OECD country. It makes no sense to deflate its still stagnant economy.

What with the US focusing on an unimportant bilateral trade deficit and the Japanese determined to stick to outmoded regulations and inappropriate fiscal and monetary stringency, these two giants deserve each other. But the world deserves neither bit of folly. It would be better for everyone if commonsense were to break out, on both sides.

Tony Jackson asks if the investment plans of UK industry are failing to take account of low inflation and interest rates

Dangers of great expectations

UK business, it seems, has a problem with investment. Inflation may be beaten and money cheap, but managers have not adjusted to the fact. Before they will sign up for a new machine or a new factory, they demand the same high return on their investment as in the old days. As a result, they risk underinvesting and being caught unprepared by economic recovery.

So, at any rate, says Mr Howard Davies, director-general of the Confederation of British Industry. Investment intentions, he said on Wednesday, are "worryingly weak". Companies still look for returns of 17 or 20 per cent, and may be missing opportunities as a result.

Two professors from the London Business School made the same point in the FT on Wednesday. "Our contacts with companies," Elroy Dimson and Paul Marsh wrote, "suggest that many have not responded sufficiently to falling inflation and lower real interest rates. As a result, their managements are demanding an excessive return from new investment projects."

The statistics seem to back this up. One obvious measure of investment in machinery is the home order book of the UK engineering industry. This is still shrinking, and is now almost 30 per cent smaller than in 1990. The output of the construction industry continues to dwindle as well.

Granted, the CBI's regional survey this week reported planned increases in spending on plant and machinery almost throughout the UK. But the survey also pointed to sharply lower investment in buildings. Most companies said they were investing not to expand, but to improve efficiency. And the chief factor limiting investment was – yes – "inadequate return".

On the face of it, this is curious. The apparent conquest of inflation means UK interest rates are historically very low. The stock market is also very high, since investors have been switching out of cash into equities. A company looking to invest is thus offered the cheapest money for a generation, in the form either of a loan from the bank or cash from shareholders.

The collapse of inflation alters the sums in another way. Typically, companies will calculate the return required on an investment in two parts: the basic return, and a premium on top to reflect the risk of the investment going wrong. The figures will normally be worked on a real (ie, inflation-adjusted) basis, so falling inflation does not change the sums directly. But inflation is a business risk in itself, since it leads to high and unstable interest rates and a stop-go economy. If stable prices represent lower risk, they also logically allow lower real rates of return.

But if the behaviour of companies seems irrational, it is not very surprising. Inflationary psychology is hard to learn and equally hard to forget. When inflation first took hold in the 1970s, portfolio investors persisted for years in buying UK government bonds on yields below inflation, because they could not believe inflation would last.

The same now obtains in reverse. After more than two decades of inflation, business people are slow to accept that the dragon is slain. The stock market may seem to think so, but portfolio investors have less to lose. If inflation revives, they can simply sell the shares. A company committing itself to a new plant with a 10-year payoff does not have that luxury.

One of the UK's leading industrial companies, GEC, says its real target rate of return remains unchanged at 20 per cent. Mr David Newlands, GEC's finance director, says: "Clearly, if you got to the position where inflation really was defeated, you'd have to adjust your sights downwards or miss opportunities. But I don't think there is enough evidence yet that inflation is really dead."

Besides, some quoted companies say, their cost of capital is ultimately determined by the stock market. The market may be high at present. But history suggests equities' behaviour is largely independent of the level of inflation over longer periods, such as five years. Mr Alan Spall, ICI finance director, says: "Inflation is only one of a huge number of elements in the equation. The fact that inflation has come down doesn't at all mean that our hurdle rates have come down as well."

In addition, some companies show signs of taking rates of return on investment more seriously than before. This is a sensible response to the low-growth, highly competitive 1990s. In the boom years of the 1980s, there was a better chance that an ill-judged investment would be bailed out by economic growth. Indeed, inflation itself may have led to careless investment decisions, since continuously rising prices had a way of covering up mistakes.

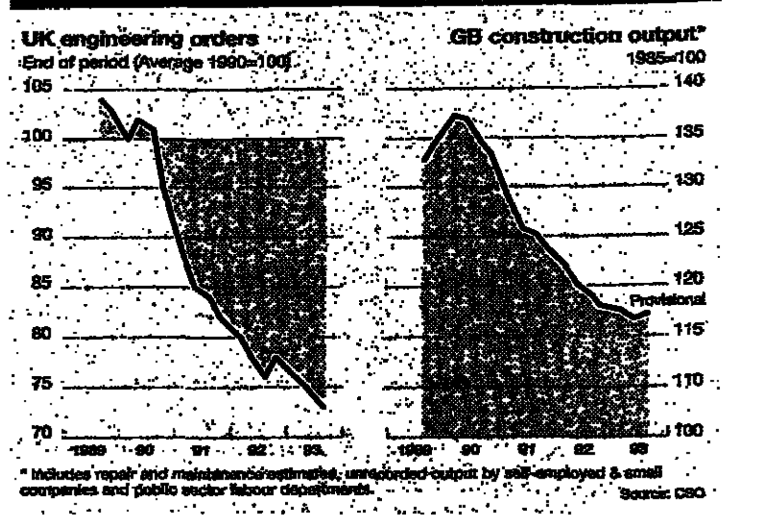
In fairness to the stock market, it is worth pointing out that some City commentators take a less gloomy view of what is happening to capital investment than industry itself. Mr Keith Skeoch, chief economist at the brokers James Capel, says: "I think we're beginning to see the conditions fall into place for quite a strong expansion of capital investment."

First, he argues, official figures show that corporate profits have recovered from the depths of recession more sharply than expected, and certainly faster than in the early 1980s. At the same time, dividend payments have adjusted to lower inflation. "So there's been a phenomenal bounce in companies' retained earnings," Mr Skeoch says. "In the postwar years, that's been a necessary condition in the UK for a revival in capital investment."

Second, though the level of investment may still be flat or even falling, it remains strong by historical standards. Business investment as a proportion of GDP is now a little over 12 per cent. Throughout much of the 1960s and 1970s, it was significantly lower.

But if the City is sanguine, it is largely alone. The Treasury and the Bank of England appear to be uneasy. The CBI is about to undertake a survey of its members, asking how they go about their investment appraisals and whether their habits are changing. Conventional wisdom says the hesitant UK recovery, hitherto led by the consumer, needs to be backed by business investment if it is to be sustained. On the showing so far, it would not do to count on it.

UK industry: investment-shy?



* Includes repair and maintenance estimated, unrecorded output by self-employed & small companies and public sector labour departments. Source: CSO

Finger-in-the-air method

Ian Hamilton Fazey on northern industrialists' plans

"We are putting money into our businesses. We're not idiots," says Mr David Belton, finance director of Richardson Sheffield, which makes kitchen knifes.

His comments sum up the reaction of many in Yorkshire and Humberside to the charge this week by Mr Howard Davies, director-general of the Confederation of British Industry, that UK investment is weak because directors still want rates of return as high as 17-20 per cent on capital.

Mr Belton believes he and his counterparts are doing everything they should in the current economic climate. "We aim to improve productivity by 5 per cent each year. You can't do it by working harder. You can only do it through investment," he says.

But in the region identified by the CBI as among the most buoyant in the UK, consideration of rates of return often forms little part of investment decisions. More worrying for those who, like Mr Davies, are concerned about Britain's long-term production capacity, the main driving force seems to be a quest to push short-term unit costs constantly downwards.

The Engineering Employers Federation recently calculated the region is working at only 72 per cent capacity – leaving room for production to expand without new plants.

For Mr Andrew Cook, chairman of William Cook & Sons, which makes steel castings, cost cutting is first priority now that trading conditions are more favourable.

"Leaving the European exchange rate mechanism saved all of us in our export markets. The consequent low interest rates have enabled us all to afford more debt for investment in efficiency," he says. The company turns over £100m a year with 1,900 employees.

It is investing £6m this year in streamlining its operations, buying new machines and relocating plant. "I don't work out rates of return. My technique is more finger-in-the-air. The answer has to be yes to two questions: have we got a fundamentally sound market? Do we want to stay in it? We then invest in anything that keeps driving down costs to keep us in the game," he says.

Similarly, Mr Roy Pilgrim, finance director of Aurora, a Sheffield steel processor which has a capital expenditure budget of £7m, says he has "no rigid rules" about rates of return. "What we expect is payback within three years. We look at the security of the market for any product. We then buy almost anything that takes cost out of making it."

Mr Mike Hennesey, chief executive of Kalon, which makes paint for DIY retail stores at its factory in Batley, West Yorkshire, says: "We don't bother with discounted cash flow analysis and all that nonsense. We look at how much cash we have got and estimate how long it will take to get it back if we use it to become more efficient. If it looks OK, we go."

He says, however, that improved competitiveness has won the company increased market share, so some investment is now going into extra manufacturing capacity.

Among small manufacturers, traditional investment decision-making practices are well entrenched. Mr Hugh Foulerton's family owns United Cutlers of Sheffield, which sells mainly sterling silver cutlery direct from the factory by mail order, cutting out retailers' margins. "My niece estimates our cash flow for six months and 12 months ahead and we then decide what we can afford to invest," he says.

Since 1991 the company has invested a total of £285,000 and annual sales are 40 per cent up at about £2.5m a year.

Mr Charles Burton of Haines Watts, a Yorkshire-based accountancy firm, says most investment decisions made by his small business clients are based on unsophisticated principles.

"The smarter they work, the more profitable they will be. Very few owner-managed businesses have got the resources or skills to work out a rate of return. They rely on gut feel and come to us for help with the tax allowances. They don't even work it out on the back of an envelope."

MAN IN THE NEWS: ***Sir Robin Butler***

In defence of half answers

When Sir Robin Butler was appointed head of the UK civil service and secretary to the cabinet in 1988, he was said by one admirer to have "the gift of disagreeing without causing offence".

Yet offence is precisely what Sir Robin has caused this week following his appearance before the Scott inquiry, which is investigating the arms-for-Iraq affair.

In a prepared statement, he attacked the damage that he believed the inquiry's procedures had inflicted on the "system of government, to the reputation of the civil service and to individuals". Sir Robin also criticised media coverage that had "permitted wild allegations and prejudging of issues".

The first charge led Lord Justice Scott to urge him to think critically "about the established practices and convention" of Whitehall. The inquiry has already heard enough evidence to know that something went badly wrong in the handling of policy over arms sales to Iraq and the prosecution of three executives of Matrix Churchill, the machine tools company.

Yet it is Sir Robin's assault on press standards that has called down the scorn of commentators. They have contrasted his concern for reporting standards with his justification of the practice of giving "half answers" to parliament so long as they were accurate. This uncomfortably recalled the tradition of "being economical with the truth", famously defended by his immediate predecessor, Sir Robert (now Lord) Armstrong.

Such public exposure has not, until recently, been part of the job description of the head of the civil service. From his office in Downing Street, Sir Robin heads an organisation of over half a million civil servants who spend more than two-fifths of the national income.

He selects the top civil servants who run government departments, is consulted on a wide range of appointments to quangos and other public bodies, and oversees the honours system. He is also responsible to the prime minister for the expenditure and management of the three intelligence services. In his role as Cabinet secretary, he co-ordinates policy-briefing for the cabinet and its committees.

Sir Robin is the perfect mandarin from head to toe. At Harrow, the English boarding school, he was head boy. He took a double first in Mods and Greats at Oxford and played rugby for the university.

He joined the Treasury in 1961 fresh from Oxford, became a founder member of the Central Policy Review Staff (the Whitehall think-tank) and was in charge of public expenditure in the mid-1980s. He served as private secretary to three prime ministers. He also found time to captain the Whitehall Mandarins cricket team for some years.

If all that were not enough, Sir Robin oozes charm, decency and intelligence. He cycles to work from Dulwich, and gives his recreation in Who's Who as "competitive games".

Such a pedigree might have marked him down as a traditionalist and defender of the status quo. But Sir Robin has been at the top throughout the most far-reaching revolution in Whitehall since the 1854 Northcote-Trevelyan report created the modern civil service.

In the past six years, two-thirds of civil servants have been transferred into executive agencies, management has been devolved from Whitehall to front-line managers, and performance-related pay introduced. "Delegating responsibility to managers and concentrating more on results appeals temperamentally to me, and I've enjoyed doing it," he says. "Since there has been bipartisanship over a large part of the programme, I have had no problem in giving a public lead on it."

However, there is a rising tide of public concern over the consequences of these reforms for the standards of the public services. A growing band of critics believes that he should be sounding alarm bells in defence of independence, impartiality and probity.

"There is a feeling that Sir Robin is not doing enough to stand up for the public service in Britain, to maintain the independence of the state," says one.

This band includes some of his fellow permanent secretaries, members of the "College of Cardinals" who meet him weekly at the Cabinet Office. They have been buffeted by the Citizen's Charter, market-testing and now privatisation. From April, they will be required to lift the veils of secrecy behind which Whitehall's business is conducted.

While Sir Robin denies that such worries were behind this week's statement to the Scott inquiry, it will have been welcomed by those urging him to draw a line in the sand over which the civil service will not be pushed.

Yet if that was their hope, it has not been fulfilled. Instead, Sir Robin was made to look increasingly ill at ease under the sort of close cross-examination rarely encountered in front of a parliamentary select committee.

Mirth greeted some of his replies, laughter in which clearly he could not share. The contrast between the openness of the Scott inquiry and the still secretive ways of Whitehall was starkly displayed.

In one sense, Sir Robin has been placed in a difficult position. He became involved in the arms-for-Iraq affair only in 1990 when the prosecution of Matrix-Churchill became a possibility. He has, however, been called upon to account for the actions of ministers and officials since the early 1980s.

Yet his for once uncertain touch may reflect the problem that gnaws at the heart of Britain's public institutions. This is the strain they experience in a prolonged period of one-party rule, during which public servants find themselves ineluctably acting more politically.

"In his heart of hearts, I think he would have preferred the government to change at the last election," says Professor Peter Hennessy, Whitehall chronicler. "Not because he is a Labour supporter but for the long-term health of the civil service."

Without change, mandarins such as Sir Robin must take on the burden of defending the public service against political corruption. It is not surprising that he is ill-at-ease at being asked to discharge a task that is more effectively exercised by the democratic process.

John Willman

A 'shell too far' in Sarajevo

Nato's ultimatum may help to redress the balance, but by itself it will not be enough, says **Edward Mortimer**

Why now? Why suddenly, after two and a half years of war in the former Yugoslavia, and nearly two in Bosnia, after so many thousands of deaths, maimings, rapes, mass expulsions and other atrocities, did a single shell landing in a Sarajevo street last Saturday galvanise Nato into issuing what many have judged to be its first credible threat of military intervention?

At one level, the explanation is simple and familiar: it was the proverbial last straw; a "shell too far". Western leaders have realised that they already bear too heavy a weight of responsibility for what is happening in Bosnia. They cannot get away with remaining passive as the death toll mounts.

All of the following are up to their necks in Bosnia:

● The European Union with its mediation efforts and white-coated observers;

● Britain with its sponsorship of the London conference in 1992 and provision of two successive mediators; France with the visit of President François Mitterrand to Sarajevo in June 1992;

● half a dozen Nato countries with soldiers on the ground – soldiers taking such invidious decisions as which starving village gets food from a convoy, or who is allowed to fly out of Sarajevo;

● Germany and the US with their long record of vocal political support for, respectively, the Croats and the Bosnian Moslems; and

● Nato itself with its previous, largely ineffective threats of air strikes.

None of these national and supranational bodies can escape damage if things continue to get worse. All are obliged to react somehow when an event, even a seemingly random event such as last Saturday's shelling of the Sarajevo market which killed 68 and injured more than 200, focuses public attention on the utter grimness of the situation and their apparent inability to make it any better.

But that situation is not new. In so far as the western reaction has been different this time, it reflects not a pure knee-jerk reflex but a gradual shift in the positions of some of the main governments concerned – France, Germany and the US – that has been going on over a period of months.

The central role has been played by France, and more specifically by Alain Juppé, foreign minister in the conservative government which came to power last March.

Obliged to "co-habit" with Mr Mitterrand, and inheriting a complex situation in which France was involved with other countries, notably Britain, in running the UN operation on the ground, Mr Juppé could not change policy overnight. To begin with, France seemed to be following the same approach as Britain, treating its military presence as a neutral and purely humanitarian affair and leaving the political initiative entirely to the EU and United Nations mediators, Lord Owen and Mr Thorwald Stoltenberg.

By autumn, however, Mr Juppé had reached the following conclusions:

● It was too late for an ideal solution: no one was going to put the old multicultural Bosnia together again by force of arms. There would have to be a compromise peace.

● But the compromise must give more to the Moslems than the isolated ghetto-state offered by the Serbs and Croats in their joint partition plan. The Serbs, especially, had somehow to be persuaded to concede more land.

● The EU was supposed to have a common foreign and security policy. This would be meaningless unless it included a plan for bringing peace to Bosnia.

● That policy, in Bosnia as elsewhere, must be based on a clear Franco-German understanding. In particular, the Germans must use their influence to bring the Croats on board.

● The US had to be smoked out of its self-righteous isolation and persuaded to throw its weight behind a diplomatic initiative. Otherwise the Moslems would continue to think they could do better by fighting on, believing that, if not the US cavalry, at least US planes and weapons would sooner or later come to their rescue.

From this analysis was born the "Juppé-Kinkel plan" of November 8, which became the "European Union action plan" of November 22. In its original form, the emphasis was on getting Serbian president Slobodan Milosevic to extract concessions from the Bosnian Serbs, by dangling in front of him the prospect that sanctions on Serbia would be lifted. "This so-called trade-off has too much carrot and too little stick," was the predictable comment of Mohammed Sacirbey, Bosnian ambassador to the UN.

Events were to prove him right. In December Serbia and Croatia pretended to accept the plan, offering the Moslems one third of Bosnian territory (as the EU plan suggested) but in a shape that could never have made a viable state. The Moslem enclaves in eastern Bosnia would have been completely isolated, Sarajevo virtually encircled and cut off from its suburbs, and the Moslems would no longer have had the access to the river Drava they were previously offered. Meanwhile the shelling of Sarajevo intensified and there was further Serb interference with relief supplies.

AP

Moslem prisoners carrying the body of a comrade in a village near Sarajevo as a Bosnian Serb soldier looks on

By the time Nato leaders met in Brussels on January 10 the need for stick as well as carrot was widely admitted. President Bill Clinton did not want Bosnia to spoil the summit, but the French insisted that it be addressed. The alliance repeated its threat of last August to use airpower if the "strangulation" of Sarajevo and other areas continued, and added a specific warning to the Serbs not to obstruct relief of the Canadian garrison in Srebrenica or the reopening of Tuzla airport.

But the US was still reluctant to accept the role in which Mr Juppé had cast it, of talking the Moslems into accepting the bitter fruits of defeat. This led to a very public and embarrassing exchange of accusations between Paris and Washington two weeks ago.

Now, however, indignation over the latest Sarajevo atrocity seems to have acted as both catalyst and smokescreen for a tacit deal: Europe, led by France, has agreed to use force or the threat of force to bring the Serbs to reason, while the US has agreed to step up its diplomatic involvement, effectively dirtying its hands with the "sell-out" it was hitherto determined to repudiate.

A division of labour is emerging. Each of the three parties in Bosnia has a "big brother", who is expected to lean on his respective protégé. Chancellor Helmut Kohl has already leant on the Croatian president, procuring the dismissal of the extremist Bosnian Croat leader Mate Boban and Croatian acceptance of an outlet to the Adriatic for the rump Bosnian state.

President Clinton will now be expected to lean on the Bosnian Moslem leadership; and President Boris Yeltsin is positioning himself, by his outspoken opposition to air strikes, to lean on Serbia. Britain, for its part, has no protégés and no strategy. Mr Douglas Hurd's world-weary neutralism has left him without friends and without influence.

But Mr Yeltsin is the weakest of the three protectors, while the Serbs, who have perhaps as much as 50 per cent of their military equipment in reserve for a spring offensive, are the strongest on the ground.

Even if the Russian president flies to Belgrade for an eyeball-to-eyeball session with Mr Milosevic, there is no guarantee that the Bosnian Serbs will take any notice. Nato's new ultimatum may help to redress the balance, but by itself it will hardly be enough.

Hugh Carnegy and **Karen Fossli** on the Winter Olympics which open in Norway today

View from the end of the ski run

When Norway's Stein Gruben soars off the ski jump with flaming torch in hand to open the Lillehammer Winter Olympics this afternoon, be prepared for an explosion of Norwegian national pride and an exuberant celebration of the country's folksy culture.

Snorting reindeer, swishing sleighs, galloping horses, frolicking trolls and the music of massed fiddles will fill the snow-carpeted arena above the postcard-perfect lakeside resort for the opening ceremony.

Above all, there will be dozens of men, women and children on skis. The primitive-looking pictograms being used as symbols for the Lillehammer games are derived from 4,000-year-old rock carvings of skiiers found in the Arctic north of Norway.

More recently, skiing has even played a political role in a country – notably when the ski-borne heroes of Telemark sabotaged a heavy water plant crucial to Nazi attempts to make a nuclear bomb during the second world war.

So Norwegians expect great things of their winter athletes. They won no fewer than nine gold, six silver and five bronze medals in the 1992 Albertville winter games, ranking third in the medals table behind Germany and the CIS. This year at Lillehammer, they are widely tipped to do even better.

Hosting the games has, therefore, been seized by Norway as a perfect opportunity to present itself as a successful small country opening it arms confidently to the wider world.

But there is a paradox to this picture – one which Mr Bjorn Tore Godal, the foreign minister, described this week as the conflict between the missionary and the viking.

To many Norwegians, the games exemplify their independence of spirit, showing that Norway needs no help in living its life "on the northern outskirts of the globe", as Ms Ase Kleveland, the culture minister, put it. These viking-like characteristics are best illustrated by Norway's stubborn insistence last year on resuming commercial whaling, in the face of strong international opposition, and its continued culling of baby seals.

It is also to be found in Norwegian resistance to joining the European Union, due to be tested in a referendum before the end of this year. This week, Norway's prickly nature was again evident in a spate of inhospitable criticism from Norwegian athletes and the domestic media of Mr Juan Antonio Samaranch, the Spanish president of the International Olympic Committee, which oversees the organisation of the Olympics. Mr Samaranch was accused of being undemocratic and was also publicly reminded of his past links with the late General Franco's fascist regime.

Norway presents itself as a successful small country receiving the world

But the Olympics are also a chance for Norway to show what Mr Godal called its missionary side, evident in its efforts at mediation last year which helped produce the peace agreement between Israel and the Palestine Liberation Organisation.

Norway also has a long record of commitment to United Nations peacekeeping operations and is a world leader in dispensing development aid, on which it spends more than 1 per cent of GNP each year. Moreover, Mrs Gro Harlem Brundtland, the Labour party prime minister, has been a champion of world environmental awareness – notwithstanding her backing for Minke whale hunting.

Mr Tore Hagebakken is one of those who hopes the games will promote Norway's international instincts. The Labour mayor of Gjovik, an Olympic site close to Lillehammer best known for its extraordinary ice hockey stadium blasted out of the inside of a mountain, points optimistically to the latest opinion poll which shows that opposition to EU membership is falling sharply.

"It is difficult to win the [pro-EU] argument in Norway," he says. "People are afraid they will lose their independence. But I hope the games will change this a little bit. We wanted to bring the games here to be more international – to show we have a lot of friends in Europe and all over the world and there is nothing to be afraid of."

Certainly, if the attitude of the 30,000 Norwegians who packed Thursday's rehearsal for the opening Olympic ceremony is a guide, there is now great national enthusiasm for hosting the games, despite initial disquiet over the escalating costs incurred during a recession.

The Labour government has ended up spending NKr7bn (£632m) on the games, more than three times the estimates made when Lillehammer won the Olympics in 1989. A net deficit of NKr4.3bn is projected, and there are doubts about the future economic viability of many Olympic sites. These include two new ski jumps, a bobsleigh run, three skating rinks and the Hamar Olympic hall, a speed-skating stadium in the shape of an upturned viking ship.

Reuter

Olympic flame: Norwegians expect great things of their athletes

But one factor in the high spending has been widely welcomed and has set a standard for future Olympic Games, whether winter and summer. For the first time a host city has made a priority of organising the games along "environmentally friendly" lines.

After an acrimonious fight with the Norwegian Society for the Conservation of Nature over the siting of the Hamar speed skating hall, which encroaches on important wetlands for migrant birds, the Lillehammer Olympic Organising Committee embraced the idea of running a "green games". A member of the conservation society was employed to direct the environmental effort – which was made one of the "success criteria" for the games.

The results have been significant. The bobsleigh run was moved from its original site to a less obtrusive position; the ski jumps were built below the skyline; the athletes' village blends with local architecture and includes several buildings that can be moved elsewhere after the games; and, during construction, contractors were fined up to $7,000 for each tree they knocked down.

The effort to be environmentally friendly goes well beyond the construction of the games infrastructure. A huge recycling effort means all meals are being served on plates made of potato and maize starch and eaten with similarly-made utensils – all of which can be turned into compost. All the bullets from the guns of the biathletes – participants in the cross-country skiing and shooting event – will, for the first time, be collected for recycling using special target backdrops.

The only aspect of the environment the organisers have no control over is the weather. With 1.3m of snow already blanketing Lillehammer, the last thing the Winter Olympics need is more winter weather. The Lillehammer Olympic Organising Committee is praying for clear skies.

Work, rest and pay

Quentin Peel on talks aimed at averting a German strike

Two hard men were yesterday locked in negotiations to head off a potentially ruinous strike in Germany's recession-hit engineering industry.

In the blue corner, Mr Hans-Joachim Gottschol, 66, president of Gesamtmetall, the German engineering employers' federation: blue-eyed, tight-lipped and known to his adversaries as "the hard man from Ennepetal". That is the picturesque little Sauerland valley, east of Cologne, where he and his brother have built up a thriving business reprocessing aluminium scrap.

Gottschol Aluminium is the archetypical successful small company from the German Mittelstand, and Mr Gottschol, the archetypical Mittelstand entrepreneur, the backbone of Germany's economic prosperity. He is a no-frills businessman, whose arrival at the head of Germany's most powerful individual employers' group in 1992 represented the revenge of his fellow small-time entrepreneurs, after years of domination by the smooth-talking heavyweights from big business.

In the red corner sits Mr Klaus Zwickel, leader of IG Metall, the 3.2m-strong engineering workers' union, pride of the German labour movement and pace-setter for high wages, generous benefits and tough but reasonable bargaining in the annual rounds of Germany's industrial relations bargaining system.

At 54, he is 12 years younger than his rival, but also in his way, an old-fashioned epitome of his breed: big hands, broad shoulders and close-cropped grizzled hair around a bald head. He is a man who says what he thinks, and does what he says, a lifelong trade unionist with a passionate belief in the good and necessary role that the unions should play.

He was thrust unexpectedly into his job last year, after the embarrassing and disastrous resignation of his high-profile predecessor, Mr Franz Steinkühler, over allegations of insider trading in Daimler-Benz shares.

These then are the two classic adversaries who met yesterday with their immediate aides in a hotel in Darmstadt, just south of Frankfurt, in a summit meeting to thrash out their differences.

They are faced with the threat of an all-out strike in an industry suffering its sharpest recession since the postwar German economic recovery began. Since 1991, 600,000 jobs have been lost in the mechanical and electrical engineering, and automobile industries.

Everyone agrees that a strike would be suicidal, above all for the engineering workers. Both Chancellor Helmut Kohl and Mr Rudolf Scharping, the opposition leader, have appealed for good sense and compromise. And yet the two sides have gone through negotiations in 34 rounds of regional pay talks, without any sign of rapprochement.

For once, the traditional tables of industrial relations have been turned: the employers are on the offensive, and the trade union on the retreat. It was Mr Gottschol who last September served notice to terminate the current wage and holiday contracts – an unprecedented move, intended to underline employers' determination to win cost-cutting concessions.

"The fundamental cause of the growing unemployment is a profound cost crisis in the German engineering industry," Mr Gottschol maintains. Comparative hourly costs in France and the US are 60 per cent of those in Germany. He wants real cost cuts of at least 10 per cent.

The union came back with a demand for a package linking job security and income preservation: in spite of an unrealistic 5.5 to 6 per cent wage demand, it was obviously a defensive claim, with the emphasis on saving jobs, not on raising pay.

As part of that, Mr Zwickel has thrown in a call for a temporary deal on a four-day or 30-hour working week – to save jobs by persuading everyone to work less.

Mr Gottschol says it is a policy of desperation: it may reduce the absolute wage bill for those facing a disastrous slump in demand – like Volkswagen, which has agreed such a deal – but it would actually increase unit wage costs, aggravating the problem of German competitiveness.

The employers' stance represents the conviction of Mr Gottschol and his fellow small and medium-sized employers that previous wage deals, including shorter working hours and disproportionate pay rises for the low paid, have had a devastating effect on wage costs.

The current engineering industry working week is 36 hours, with an agreement to cut it to 35 from October 1995. Mr Gottschol says if there is to be any change, it must allow individual employers to negotiate longer hours as well as shorter. Only by going back towards a 40-hour week can they hope to cut their unit wage costs, he says.

Mr Zwickel is terrified that by agreeing to a flexible deal – allowing plant-level bargaining to decide between, say, 30 and 40 hours a week – the concept of a national wage and conditions agreement will be terminally undermined. He suspects that is precisely Mr Gottschol's intention.

The irony is that, behind the tough bargaining positions, both men are standing on shifting sands: both face a decline in their membership, as the industry shrinks and employers look for greater flexibility outside the confines of the annual pay round. If Mr Gottschol and Mr Zwickel want to preserve their positions, they are condemned to do a deal. If they want to keep their membership on board, they must make that deal mutually acceptable. They have more in common than might at first appear.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Incentive schemes must meet particular needs

From Mr David M W Brooks.

Sir, Re the Lex column on executive pay (February 1), and as one who was partly involved in the design of the Reuters executive incentive scheme, I feel that the move from executive share options to restricted shares and the use of relative total shareholder return as a measure (to quantify corporate performance) are to be widely welcomed.

This approach breaks the 1980s mould of executive remuneration. In the last decade, the long-term elements of executive pay have been shaped at least as much by tax considerations as by the specific requirements of individual companies. As a result, most quoted companies at present have long-term incentive schemes which are all but identical.

The new Reuters scheme should certainly contribute to the debate on executive remuneration. However, a risk exists that some companies will simply see the new scheme as a template to be followed to introduce executive incentive schemes in exactly the same format. They may not question the suitability of such arrangements for their own circumstances – failing to raise questions in that context may not be in their best interests.

In considering changes in their long-term incentive schemes, companies should seriously heed the joint statement, issued last year, by the National Association of Pension Funds and Association of British Insurers (see Letters, February 11). That statement requires the remuneration committee of a company to choose a measure (and presumably a scheme) which is appropriate for that company and to justify that measure and scheme to shareholders.

If Reuters is to be followed, therefore, it should be for the way that it has approached executive remuneration to meet its own needs.

David M W Brooks,
head of senior executive compensation group,
William M Mercer,
2 Royal Mint Court,
London EC3N 4NA

Action against predatory pricing essential

From Mr C M Purvis.

Sir, Your leader, "Anti-dumping" (February 10), dealing with European Union policies on dumping really cannot be allowed to pass without comment.

Anti-dumping action is a legitimate and necessary defence, limited in nature and circumscribed by internationally agreed General Agreement on Tariffs and Trade rules, against predatory pricing. More often than not, dumping comes from countries which themselves prohibit, or tightly restrict, imports. Remove these barriers, and the problem of dumping would sharply diminish. Why on earth should the European Union, with 17m unemployed, remain supine in the face of serious threats to European industry?

The EU has not only consistently respected Gatt rules on dumping, but has also incorporated in its legislation additional constraints on its freedom of action. The legislation is applied, in our experience, in an objective way by the Commission, and your sideswipe at European public servants, implying loose management standards, is both unjustified and – since their status precludes them from answering back – unfair.

Your proposals would – deliberately? – add such complexity to anti-dumping investigations that action would become impossible. They will, rightly, be rejected by the large majority of member states as simply another expression of Anglo-Saxon eccentricity about this issue.

C M Purvis,
director-general,
International Rayon and Synthetic Fibres Committee,
Ave E Van Nieuwenhuyse, 4,
B-1160 Brussels, Belgium

Centrally set pay rise for NHS creates productivity paradox

From Andrew Greene.

Sir, The government's pay rise for the National Health Service creates a productivity paradox with which hospitals are not yet equipped to deal. As the government has indicated, hospitals must increase productivity to pay for the pay rise ("PM concedes up to 3 per cent rises in public sector", February 4). Productivity will only be increased if there is some reward for doing so. Hospitals can only be rewarded if the more productive trusts get more money for being more productive. The source of this money is of course fund-holding GPs and regional purchasers, functioning in the "internal" market.

But the government will find it cannot rely on a market while it hands down pay increases from the centre. After all, wage rises should follow productivity gains, not precede them. Mortgaging someone else's future productivity increases (notably the NHS trusts') to pay for the centre's profligacy is bad policy. As the reforms originally intended, better to let trusts decide for themselves what pay they can afford to give out.

Andrew Greene,
principal, UK health care practice,
Booz-Allen & Hamilton,
management & technology consultants,
100 Piccadilly, London W1

UK government stand on biodiesel hits farmers

From Mr Alaster M Fraser.

Sir, You published two interesting articles, "Trees branch out", about coppicing on set-aside land for energy uses, and "The cleaner choice", about concerns on particulate emissions from diesel engines (both Business and the Environment, February 9).

We would like to point out that the use of biodiesel (made from rape seed oil) has been shown to reduce particular emissions from diesel engines by up to 50 per cent. In 1994, about 250,000ha of set-aside land will be used to grow oil crops for biodiesel production and the potential is much larger.

In France, Italy and Germany, tax exemption is given (under certain control systems) to promote the use of biodiesel and hence the development of the set-aside policy.

Unfortunately, the UK government has to date refused to apply the same scheme, to the detriment of UK farmers, diesel users and the environment.

Alaster M Fraser,
market development manager,
Novamont SpA,
Milan, Italy

Hard to exercise your rights

From Mr H P B Clark.

Sir, Are company registrars aware of the obstacle course they set for shareholders who wish to take up their rights issues? The form for Berisford International requires me (1) to search 30 sq in of the minutest print to find out to whom to make my cheque payable; (2) write "National Westminster Bank plc a/c Berisford International plc" in the 3.5in space allowed on my cheque; and (3) squeeze a 10-line address on to an envelope.

No wonder they do not provide me with a return envelope with the form.

H P B Clark,
Lynwood,
41 Stathern Lane,
Harby, Melton Mowbray,
Leicestershire LE14 4DA

Acquisition sought to make use of accumulating capital

Lloyds rises 29% to £1.03bn

By John Gapper and Antonia Sharpe

Lloyds Bank yesterday gave a strong signal that it was looking for a suitable acquisition after announcing a 29 per cent rise in 1993 pre-tax profits, from £801m to £1.03bn, accompanied by a 20 per cent rise in its dividend.

The bank, which failed in its bid to take over Midland Bank in 1992, said that it was seeking a use for its accumulating capital.

The equity base rose 14 per cent after the total dividend of 22.1p (18.4p), including a proposed final of 15.5p, was more than twice covered by earnings per share of 47.4p (35p).

"As we accumulate more capital, we remain watchful for an opportunity that will enable us to use this for the further benefit of shareholders," said Sir Robin Ibbs, chairman. He said the bank would consider "all types of opportunity".

Lloyds became the third bank to raise its dividend strongly after similar moves by TSB Group and Royal Bank of Scotland. Its ratio of core capital to risk-weighted assets nonetheless strengthened further to 6.6 per cent (6 per cent).

Problem country debt contributed £260m (£193m) to profits, including a net release of £46m debt provisions. Its portfolio fell from £2.77bn to £2.28bn after receiving bonds from Argentina in exchange for loans and past due interest.

Overall bad debt provisions fell by 10 per cent to £505m (£556m), covering 1.2 per cent of lending. Provisions in UK retail banking fell to £389m (£506m), but Lloyds made a £45m (£35m) general provision against credit losses this year.

The fall in bad debts helped the UK retail bank to return to a profit of £74m (losses of £32m). Loan demand was weak, but Mr Brian Pitman, chief executive, said there had recently been a "very significant" increase in demand for personal loans.

Mr Pitman said Lloyds was responding to low interest rates, which had led to customers transferring £900m out of savings and investment accounts, by training more staff to advise on equity and fixed income savings products.

The post-tax return on shareholders equity rose to 21 per cent (17.1 per cent). Mr Pitman said he thought it was possible to sustain this return despite low interest rates.

Operating expenses rose slightly to £2.47bn (£2.43bn), but the ratio of costs to income fell to 62.1 per cent (64.2 per cent). Mr Pitman said costs would be under pressure because of the need to recruit more highly trained advisers.

The bank capitalised on a firm opening in the gilts market to raise £400m of subordinated debt through an issue of 10-year Eurobonds. The bonds were priced to yield 72 basis points over the 6.75 per cent gilt due 2004.

An official at lead manager Salomon Brothers said that although it was well-capitalised it had room for lower tier two capital. It saved between 50 to 75 basis points by raising subordinated debt rather than upper tier two capital.

Lloyds Bank shares closed 2p up at 617p.

See Lex

Trevor Humphries

Headline figure: Sir Robin Ibbs assesses reaction to the profits

Pentos in reverse premia disclosure

By David Blackwell

Pentos, the specialist retailer that owns the Dillons, Ryman and Athena chains, yesterday disclosed that its accounts for 1992, which showed pre-tax profits of £4m, had included reverse premia of £6.3m.

At the same time, it announced the sale of 53 retail sites, trading as Ryman Computer Stores, for £100,000.

Reverse premia are upfront payments by landlords, made when a client takes on a new property. Pentos included the figure among other operating expenses, which totalled £88.6m in 1992.

The company expects reverse premia for the 1993 year to be about £3.2m. It does not expect any further figure for 1994 or the foreseeable future.

The Financial Reporting Review Panel, the UK accounts watchdog, yesterday said it had been concerned about the adequacy of the company's accounting treatment on reverse premia.

Directors had "shared the Panel's view that it would be helpful to bring forward the company's clarification of its accounting policy and information in respect of amounts included in the 1992 accounts."

The Panel is drawing the question of accounting for reverse premia to the attention of the Accounting Standards Board.

It said existing legal and accounting requirements "did not provide unequivocal guidance."

Pentos has agreed to describe in greater detail the existing accounting policy in the accounts for the year ended December 1993.

The group is due to complete at the end of this month a strategic review ordered by Mr Bill McGrath, who formally took over as chief executive at the beginning of the year.

Yesterday it said the review had already determined that there was little prospect of returning Ryman Computer Stores to profit without substantial investment.

Pentos is selling the stores to Cellular Communications Corporation, which trades as Peoples Phone, a leading independent mobile telephone company. It will treat the £3.9m cost of the sale as an exceptional item in the 1993 accounts.

The computer chain last year incurred an estimated loss of £700,000 and had a net cash outflow of £1.6m.

Peoples Phone is taking on the 160-strong workforce.

The disposal marks the beginning of the group's plans to cut its debt, analysts suggested yesterday. They are expecting pre-tax losses of about £40m for 1993, including about £30m of exceptional charges.

Ladbroke makes £103m commercial property sale

By Simon Davies and Michael Skapinker

Ladbroke Group yesterday took the first step in disposing of its commercial property holdings by announcing that it is selling 15 properties to Burford Holdings for £103m.

The acquisition should springboard Burford – the company acquired by Mr Nigel Wray's tipsheet group Chartsearch in 1988 – into the top 10 UK-listed property companies by market capitalisation.

Burford is to raise £100m through a rights issue, and plans to use the new properties as collateral to fund lower grade property purchases, where it can add greater value.

Burford approached Ladbroke several months ago in the hope of securing the deal, but it was only after the recent management changes that the hotels, betting and DIY group would consider a quick sale.

Mr John Jackson, Ladbroke chairman, and Mr Peter George, chief executive, who took over at the beginning of the year have made clear their intention to take Ladbroke out of the commercial property business.

After the sale to Burford, Ladbroke's property portfolio will be worth about £700m.

Ladbroke said it would receive a non-refundable deposit of £5m, with a further £78m on April 8. The remainder will be received in deferred payments. The portfolio had a net asset value of £95.5m at the end of December.

Burford has expanded at an extraordinary pace. Listed in 1987 with a market value of £8m, it went into the recession in a net cash position, following some fortuitous property sales.

The management has now decided the time is right for expansion. In the past year it has acquired close to £120m worth of property. This was funded by a £42m rights issue last June, and the issue of mortgage debenture stock.

Burford is now proposing a 3-for-5 rights issue at 92p a share.

The shares closed yesterday at 121p, having risen 14 per cent in the previous six trading days. This compares with a net asset value of 72.3p prior to the acquisition. After completion of the rights issue, the company will have a market capitalisation of £327m.

About 70 per cent of the value of the new portfolio is accounted for by four properties: Dalmore House in Glasgow, City Plaza in Birmingham, an office block in Leadenhall Street, London, and a retail development in Falkirk.

The latter purchase is subject to the fulfilment of certain construction and leasing requirements. The portfolio holds average unexpired leases of 20 years and a rental yield of 8.2 per cent.

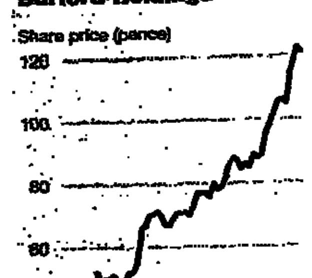
Following the acquisition and rights, Burford's gearing will be reduced to 37 per cent. The company has a self-imposed ceiling of 100 per cent gearing and could invest a further £148m within this limit.

Burford yesterday announced preliminary results for the year ended December 31, with pre-tax profits rising sharply to £5.93m (£52,000) on turnover of £14.4m (£10.3m).

Earnings per share came out at 3.42p (0.27p losses).

The company will pay a final dividend of 0.75p, lifting the total for the year from 1.15p to 1.4p.

Burford Holdings



Source: FT Graphite

Maid sticks by £100m valuation

By Alan Cane

Maid Systems, a small on-line business information supplier, yesterday insisted that next month's flotation would value the company at a minimum of £100m.

The figure has been questioned by industry experts since news of the intended flotation emerged in January.

Observers argue that Maid has few assets to justify the price. In addition, they say it is at the mercy of companies which provide its data and faces fierce competition from larger companies like Reuters and Profile, part of the Financial Times group.

Mr Stephen Aulsebrook of Hill Samuel Bank, which is advising Maid on the issue, said the price had not yet been fixed. It would be arrived at through a book-building exercise over the next month but £100m was the target valuation.

The company is coming to market by way of a placing on March 15. The pathfinder prospectus was published yesterday and dealings in the shares are expected to begin on March 25.

About 30 per cent of the company is to be floated. The expected net proceeds of £16m will be used for product development and marketing expenses, especially in the US, which the company believes will eventually become its principal market.

Maid has contracts with information providers for data which it stores and distributes over telephone lines to customers' personal computers. Its existing services include Researchline, Newsline and Companyline. A typical annual subscription rate for business information is £6,000.

Last year, pre-tax profits advanced 85 per cent to £603,176 on revenues ahead 64 per cent at £5.7m. It has been profitable for the past four years, according to executives.

Mr Dan Wagner, managing director, said that most of the company's revenues would eventually come from a new product, Maid for Windows, planned for launch in 1995.

Mr Wagner believed he had identified a gap in the market for the supply of on-line business information to the mass market.

The aim is to provide a tailored information service to individuals at a basic cost of $200 (£140) a year. The company provides a basic service on which customers can add units to suit their needs.

Hanson will net a reduced $175m from Beazer US issue

By Maggie Urry

The proceeds Hanson expects to receive from the flotation of Beazer Homes USA, its US housebuilding business, and an associated debt issue have been cut from about $200m to $175.2m (£120m). Beazer Homes USA will retain about $25m from the two issues.

The reduction is understood not to have been caused by the rise in US interest rates or the turbulence on Wall Street in recent days.

Beazer Homes USA had been due to buy some land in Hawaii, on which building work had begun, from a Hanson affiliate for $15.9m. However, Hanson has now sold this to a third party, thus reducing the projected earnings for Beazer Homes USA.

This meant the indicated price range for the share sale has been reduced from $17½-$20 to $16½-$18½ a share. The issue of senior notes has been cut from $125m to $115m.

Hanson aims to sell 6m shares in Beazer Homes USA, which would reduce its stake to 33.3 per cent, with underwriters able to sell up to a further 900,000 shares, which would cut Hanson's stake to 25.8 per cent.

The flotation is expected to be priced on February 22 or later that week. Hanson is also floating 100 per cent of Beazer Homes UK, its British housebuilding subsidiary, in March. That sale is expected to net some £450m for the conglomerate.

Mr Ian Menzies-Gow, chairman of Hanson's building division, said Hanson would have liked to sell 100 per cent of Beazer Homes USA but its US advisers had said the flotation would fare better if Hanson retained a stake.

Mr Brian Beazer, who was chairman and chief executive of Beazer when Hanson acquired it in December 1991, is to have a one year contract as non-executive chairman of Beazer Homes USA.

Westland steps up its offensive against GKN

By Tim Burt

Westland, the helicopter manufacturer, yesterday stepped up its offensive against GKN's hostile bid by suggesting the engineering group had overstated the size of its shareholding.

Launching its bid last Wednesday, GKN said it controlled 47 per cent of the Yeovil-based company – comprising its existing 28.3 per cent stake and a further 18.7 per cent acquired from United Technologies, the US parent of Sikorsky helicopters.

Yesterday, however, Westland told the Stock Exchange that GKN's increased interest had been diluted to 45 per cent by the issue on January 31 of 6.6m ordinary shares.

The extra shares were issued to investors exercising annual conversion rights on warrants and cumulative preference shares.

Shares in the engineering and industrial services group fell 3p to 557p on the news.

Since launching the bid, GKN's share price has fallen by more than 4 per cent.

Westland, meanwhile, has seen its shares climb steadily. Although they fell 4p yesterday, the 333p close represented a 14.8 per cent premium over GKN's 290p a share bid and a 29p rise on the week.

Nevertheless, the aggregate fully diluted interest held by GKN remains 40 per cent and the company said it remained confident of winning full control.

Baldwin rises to £2.8m on back of acquisitions

By Tim Burt

Baldwin, the tour operator, catering and publishing group, reported sharply improved pre-tax profits in the 12 months to October 31 following increased bookings for both holidays and restaurant tables.

The company said buoyant sales of its European camping holidays and contributions from Simpsons of Cornhill and the Muswell chain, acquired during the year, led to pre-tax profits of £2.83m (£1.33m).

The shares rose 22p to 130p.

The comparative figure was restated under FRS 3 to take account of a £1.14m loss, taken previously as an extraordinary item, arising from a legal dispute over its shareholding in London Clubs International, the casino group.

The pre-tax figure also benefited from profits on disposal of assets of £694,000 (£363,000).

Turnover rose 19 per cent to £34.6m (£29.1m) of which £5.91m related to acquisitions, which contributed £468,000 to operating profits of £2.48m (£2.33m), a rise of 6 per cent.

Of the three divisions, tour operations continued to account for the bulk of profits – £2.32m (£2.23m) on unchanged turnover of £20.6m.

The improved results, however, were due mainly to a first time contribution of £197,000 from the restaurant business and £305,000 (£123,000) from the print division.

Earnings rose to 10.1p (3p) and a final dividend of 1.9p makes a 3.5p (3p) total.

O'Reilly takes further step in newspaper empire-building

By John Murrell and Raymond Snoddy

Independent Newspapers, the Dublin-based newspaper group chaired by Mr Tony O'Reilly, has agreed to acquire a two thirds stake in Capital Newspapers for £4.8m cash – the company's third newspaper deal in a week.

The Capital purchase, from Emap and Stantonmill, is subject to DTI approval.

Independent already owns Greater London and Essex Newspapers, which owns two paid and six free titles. The acquisition of Capital will add another nine paid and five free titles.

A week ago Mr O'Reilly's company paid £18.4m for a 24.99 per cent stake in Newspaper Publishing, owner of The Independent and the Independent on Sunday.

Earlier a consortium, backed by Mirror Group Newspapers, bid for the 52 per cent stake in Newspaper Publishing it did not already own at 261.6p a share.

In the middle of the week Mr O'Reilly agreed to pay about I£20m for a controlling 31 per cent interest in Argus Newspapers of South Africa.

NEWS DIGEST

Armour Tst ahead 10% at £0.92m

A near-tripling of profits at its Airfresh offshoot enabled Armour Trust to increase interim pre-tax profits from £830,000 to £916,000, a rise of 10 per cent.

Results at the confectionery and automotive accessories supplier in the six months to October 31 were achieved on turnover 8 per cent higher at £13.3m (£12.3m) and were bolstered by acquisitions.

Trading profits in the automotive side rose 24 per cent but there was a 10 per cent fall in confectionery with pressure on prices from retailers.

Earnings per share were 2.2p (2.1p) and the interim dividend is raised to 0.38p (0.3465p).

GTI makes fourth quarter progress

GTI Corporation, the 58 per cent-owned US subsidiary of Telemetrix, turned in fourth quarter net income of $3.31m (£2.26m) against $3.14m, raising the 1993 total by 46 per cent from $9.03m to $13.2m.

Earnings per share for the quarter were unchanged at 32 cents, making $1.32 (93 cents) for the year – a 42 per cent rise. Total sales reached $127.6m ($104.8m) with $30.6m ($29.4m) coming in the final period.

Morgan Grenfell Equity share issue

Morgan Grenfell Equity Income Trust said that under the terms of conversion of C shares, 9.79m new ordinary shares will be issued.

The shares, together with 1.96m new warrants attached, will be divided among current C holders on the basis of 0.65 (the calculated conversion ratio) new ordinary for every C share currently held.

General Cons beats forecast pay-out

The General Consolidated Investment Trust announced a final dividend of 1.81p per income share, bringing the total for 1993 to 8.71p.

The figure, higher than the trust's earlier forecast of 8.45p, reflected an "improved dividend environment" according to Sir Mark Thompson, chairman. The total, however, still falls short of last year's 9.37p.

Net asset value per capital share was 290p at the year-end, a rise of 59 per cent on the figure at end-December 1992.

Net revenue was £4.68m (£4.52m) for earnings of 9.48p (9.56p) per income share.

Fall at Intereurope Technology Services

Profits before tax of Intereurope Technology Services fell from £542,000 to £348,000 for the half year ended December 31. Turnover of £4.69m compared with £4.83m.

Earnings declined to 4.51p (7.05p) from which a maintained interim dividend of 2p is declared.

The Hampshire-based group is engaged in technical publishing and support services.

Reorganisation of the documentation division will result in a £500,000 charge in the second half, of which the cash cost is expected to be £250,000.

Drayton Far Eastern assets rise

Net asset value per share of the Drayton Far Eastern Trust rose from 107.3p to 164.8p over the 1993 year.

Available revenue improved from £1.09m to £1.22m, equal to earnings of 1.05p (0.94p). A proposed final dividend of 0.55p makes a 0.675p (0.625p) total.

BTR Nylex expands wine bottle capacity

BTR Nylex, the Australian offshoot of the UK-based conglomerate, is to invest A$90m (£44m) in expanding its glass container manufacturing facilities in Adelaide to meet requirements of the Australian wine industry. Once complete, in early 1995, the facility will be able to produce a further 160m wine bottles a year.

Updown net asset value ahead 33%

Updown Investment saw its net asset value per share advance 33 per cent – from 531.1p to 706.13p – over 1993.

Attributable profits at this Cazenove-managed investment trust improved from £593,000 to £641,000, including a net contribution of £70,000 (£10,000) from the investment dealing subsidiary. Earnings, taking in the offshoot, were 16.03p (14.82p).

The single distribution for the year goes up 0.5p to 13p.

● *An incorrect version of this result appeared in some editions yesterday.*

Seacon

Seacon made an exceptional charge of £72,898 in its latest figures to cover potential losses on the sale of the Golden Lion Hotel. Because of a Stock Exchange error this figure was incorrectly stated in yesterday's report.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armour Trust	int	0.38	May 12	0.3465	-	1.6365
Baldwin	fin	1.9†	Apr 8	3	3.5†	3
Burford	fin	0.75†	Apr 7	0.65	1.4	1.15
Gen Cons Inv Tst	fin	1.81	Mar 31	1.71	8.71	9.37
Intereurope Tech	int	2	Apr 29	2	-	7.8
Lloyds Bank	fin	15.5	May 4	12.5	22.1	18.4

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Green Property seeks I£25m

By Tim Coone in Dublin

Green Property, the Dublin-based property investment company, is calling for I£25m (£24m) via a 3-for-4 rights issue at 150p a share.

The proceeds will be used to partly finance the acquisition of a I£42m property portfolio in the Irish capital.

The balance will be raised through bank borrowings, which will lift gearing from 47 per cent to 56 per cent.

The property portfolio, which is being bought from the Merchant Navy Officers' Pension Fund in Ireland, consists mainly of office buildings in Dublin's city centre.

Mr Michael MacCormack, Green Property's chairman, said 98 per cent of the portfolio was let – mostly on 35-year leases, with five-year rent reviews.

He said: "The attraction of the deal is that most of those reviews will happen between now and 1996, and many are currently at below market rates". Annual rental income is currently I£3.69m.

On completion, the acquisition will result in a near-doubling of Green's property assets with 77 per cent of them being held in Ireland. The remaining assets are in the UK.

Some 80 per cent of Green's shares are held by institutional investors.

Mr MacCormack said: "The view of these institutions was that they wanted our main assets to be held in Ireland, as they are thinking in terms of their Irish pension fund obligations".

The cash call is being fully underwritten by the Investment Bank of Ireland.

TSB chief's pay lifted to £0.5m

Mr Peter Ellwood, chief executive of TSB Group, was paid £516,819 last year, against £373,407, as a result of the bank's sharply improved performance, it disclosed yesterday, writes John Gapper.

TSB, which made pre-tax profits of £301m (£5m) in the year to October 31, said in its annual report that Mr Ellwood had received a bonus of £213,750 for exceeding an earnings per share target.

Sir Nicholas Goodison, the TSB chairman, received total emoluments of £274,000, against £271,105.

On a second flight with the 146

Daniel Green profiles Bob Bauman, the new chairman of BAe

One of the few black spots in the winning business career of Mr Bob Bauman, outgoing chief executive of SmithKline Beecham, the drugs company, was in his dealings a decade ago with British Aerospace.

Mr Bauman was chairman and chief executive of Avco, the US aerospace company, which supplied engines to the BAe 146 regional jet aircraft.

The relationship between the 146 and its engines was not a happy one. The engines were underpowered, overheated and unreliable. Both companies were the subject of at least one law suit in the US over the unreliability of the aircraft.

Mr Bauman has since fared rather better than has the 146 aircraft, which is still struggling to live down the reputation it earned in the 1980s.

When, in 1986, Mr Bauman was scooped up by Beecham, then a diversified health and personal care company care, his foray into defence looked like just another stepping stone in the career of a quintessential professional manager.

Mr Bauman quickly became known in the drugs industry for his charm and capacity for hard work. He looks younger than his 62 years and has a penchant for "feelgood" business-speak gathered, perhaps, from an MBA at Harvard in 1955 and 23 years climbing the ranks at General Foods, the New York-based consumer goods company. His stint there included selling Maxwell House coffee and Gaines dog foods.

Now, 7½ years working in London have left him with a reputation as the pharmaceuticals industry's Mr Restructuring. When he took over as chairman of Beecham in September 1986, he inherited a company which appeared to have lost its way.

Once a byword for healthcare products, it had diversified with mixed fortunes into foods and cosmetics. These activities were eventually to be sold, but Mr Bauman's lasting great achievement was the successful merger of two sprawling business empires, Beecham and SmithKline Beckman of the US.

At the time of the merger, SmithKline Beecham had annual sales of £3.7bn and pre-tax profits of £544m. Its 1993 results, scheduled to be presented on February 22, should show sales at £6.2bn for profits of £1.2bn, according to forecasts from James Capel, the stockbroker.

Strong though that record is, taking over at the helm of British Aerospace will present Mr Bauman with an entirely different set of business problems.

The company has already sold non-core businesses such as cars and executive jets. A merger with GEC has long been rumoured and remains a possibility.

What is certain is that his personality and style are strikingly different from those of Mr John Cahill, the man he replaces as chairman. Mr Bauman, a year younger than Mr Cahill, is a veteran of three different industries. He is an American running an Anglo-US company from London.

Mr Cahill spent his entire career before BAe at one company, BAT Industries. And during his two years at BAe he stirred some controversy by becoming known as the Briton who ran a UK company from a US base.

INTERNATIONAL COMPANIES AND FINANCE

Italian banking scandals mar BCI sell-off preview

By Haig Simonian in Milan

Banca Commerciale Italiana (BCI), one of Italy's biggest banks, yesterday launched its privatisation roadshow against a background of mounting criticism over the country's banking sector.

The past week has seen the temporary resignation of the heads of two top banks, who were allegedly involved in corruption, and the release by Moody's, the US debt rating agency, of a bearish report on the prospects for the sector.

Mr Sergio Siglienti, BCI's chairman, sought to distance his bank from the corruption affair, which has nevertheless embraced two former BCI executives. He emphasised BCI's sound financial condition and the fact that its bad-debt ratio was about half the national average.

The BCI float will be Italy's biggest privatisation, raising about L3,000bn ($1.7bn) for the IRI state holding company. IRI is selling all its 571m shares, equivalent to 54.85 per cent of BCI's total share capital. The bank's shares closed at L5,491 on the Milan stock exchange yesterday.

The sale, starting on February 28, will involve three segments. Domestic retail investors, who have shown a strong interest in privatisation, will be offered at least 200m shares, while 240m will be set aside for institutions.

The institutional tranche comprises 60m shares for Italian companies, 50m for the US, and 130m for institutions in the rest of the world. A further 30.7m shares will be held back for possible market stabilisation purposes, but may be added to the institutional tranche.

BCI, which is co-ordinating the deal with Lehman Brothers, said the precise allocations would depend on demand. The domestic retail tranche, including up to 40m shares for BCI employees, could rise to 300m shares, it noted.

The pricing will be announced on February 26, and the offer, which officially lasts five days, may be closed ahead of schedule on the second day if oversubscribed.

BCI is the third big bank to be privatised in the past three months. Its sell-off marks IRI's exit from the banking sector.

In December, IRI raised almost L1,750bn by selling its stake in Credito Italiano.

Separately, the treasury expects to make almost L2,400bn from this month's disposal of about half its holding in Istituto Mobiliare Italiano, the financial services group.

BCI, which will report 1993 group results next week, made net parent company profits of L268.2bn last year, 1.7 per cent up on 1992.

Mr Siglienti said the group figures would mark a substantial improvement on the L218.5bn made in 1992, thanks to restored profitability at BCI's French and Canadian operations.

Weakened demand for elevators hits Kone

By Christopher Brown-Humes in Stockholm

Profits for 1993 tumbled sharply at Kone, the Finnish lifts and cranes group, after its main European market was hit by falling prices and weakened demand for new elevators.

Group income after financial items fell to FM328m ($57.8m) from FM457m. The pre-tax result was FM430m after including a FM102m extraordinary gain, arising mainly from the sale of the company's marine technology division, MacGregor-Navire. Earnings per share fell to FM30.64 from FM46.09.

Selling MacGregor-Navire meant group sales fell 4 per cent to FM10.8bn from FM11.3bn. Excluding the disposal, sales were up 4 per cent.

Kone said conditions were difficult in all its main markets, except Asia. Europe accounts for 72 per cent of sales, followed by North America with 13 per cent, and Asia-Pacific with 11 per cent.

Conditions in Europe meant Kone Elevators, which accounts for 76 per cent of group sales, had a difficult year, even though maintenance and modernisation business developed favourably.

A conscious drive to develop maintenance operations helped the group end 1993 with 354,000 elevators under contract, compared with 338,000 at the start of the year. Some 60 per cent of Kone Elevator's sales now arise from maintenance work.

Deliveries of harbour and shipyard cranes quadrupled, allowing Kone Cranes to lift its result compared with 1992. The group's third division, Kone Wood, also improved.

Kone was encouraged by 3 per cent growth in new orders, to FM8.3bn. "Elevator demand continued to decline in Europe, but industrial crane demand bottomed out. Growth was pursued in east Asia, where both elevator and crane demand remains lively," it noted. The year-end order-book amounted to FM6.4bn, up 5 per cent on 1992. A dividend of FM9 per A share and FM10 per B share is proposed.

Canal Plus chairman quits board of top shareholder

By Alice Rawsthorn in Paris


André Rousselet: in 'total disagreement' with Havas plan

Mr André Rousselet, chairman of the Canal Plus television company and one of the most influential figures in French media, yesterday resigned as a director of Havas, the leisure group.

He was protesting against at its plans to raise its stake in Canal Plus by forming a concert party.

Canal Plus issued a statement saying that Mr Rousselet, 71, a close friend and regular golfing partner of Mr François Mitterrand, the French president, was in "total disagreement" with Havas over the proposed concert party.

Havas had earlier announced an agreement with Générale des Eaux, the industrial group, to pool their respective 23.5 per cent and 20.1 per cent stakes in Canal Plus in a new holding company controlled by Havas. Société Générale, the bank, has promised to add its 5.1 per cent stake to the new company.

The three groups will then collectively control 48.7 per cent of Canal Plus.

The announcement of their agreement, after months of complex negotiations, follows a recent reform of French broadcasting legislation that raised the maximum holding in a television company from 25 per cent to 49 per cent.

Under French law any investor, or concert party of investors, owning over one third of a company must usually bid for two thirds of the shares. However, Havas, Générale des Eaux and Société Générale have persuaded the Paris stock market authorities to waive this requirement.

Canal Plus's other institutional investors yesterday reacted angrily to the news of the waiver.

"It's a classic French stitch-up," said one London-based institution. "It depresses the value of everyone else's investment by taking away the bid premium."

Mr Rousselet had objected to the concert party's plans throughout the negotiations. His split with Havas comes at a highly-sensitive time for Canal Plus, which has just started to renegotiate the terms of its pay-TV franchise with the French government.

The company, which until recently was a star of the French stock market, is also under financial pressure after recently warning that it was set for a sharp fall in net profits for 1994.

This follows a modest increase in profits to FFr1.2bn ($215m) in 1993 from FFr1.1bn in 1992.

Havas profits tumble 14% to FFr705m

By Alice Rawsthorn

Havas saw consolidated net profits fall by an estimated 14 per cent to FFr705m ($118.5m) last year, from FFr823m in 1992.

The group, which has extensive interests in advertising, travel, and the media, blamed the fall in profits on the "persistently difficult economic environment" and on high exceptional losses.

Havas, whose investments include a stake in the the Canal Plus television company, mustered a 23.2 per cent rise in turnover, to FFr34.71bn during the year, from FFr28.18bn in 1992. However, the increase was mainly fuelled by the contribution of additions to the group.

The real rate of sales growth on existing businesses and on constant exchange rates was just 2.8 per cent. The only area of its established activities to show growth last year was advertising and free newspapers, where Havas saw sales rise by 9 per cent to FFr19.03bn from FFr17.45bn.

Havas saw sales fall elsewhere. The outdoor advertising division suffered a reduction in turnover of 13.2 per cent, to FFr3.08bn from FFr3.55bn the previous year. Sales from tourism slipped by 1 per cent to FFr6.92bn from FFr6.99bn over the same period.

The crux of the group's problems last year was the depressed state of the French economy. However, its trading difficulties in France were aggravated by exceptional losses of FFr115m during 1993, which negated the year's exceptional profits of FFr100m.

Despite its problems, Havas pressed ahead with expansion plans, and made FFr2.3bn of consolidated investments during 1993. This year, it plans to pursue its long-term strategy of developing its audio-visual interests.

KOP lifts estimates of deficit

By Christopher Brown-Humes

Kansallis-Osake-Pankki, Finland's leading commercial bank, said it would report a larger loss for 1993 than previously estimated. The warning follows a decision to take an extra FM900m ($158.7m) in provisions for credit losses, in keeping with a change in accounting policy.

KOP said its result would still be "significantly better" than in 1992, when its deficit reached FM3.7bn, but it indicated it would no longer meet its target of halving the year-earlier figure. It still aimed to return to the black next year.

The bank, which will announce its preliminary figures on Tuesday, said it was taking the extra provision "to prepare for future risks arising mainly from developments in the Finnish trade and construction sectors".

Merger costs hurt results at KNP BT

By David Brown in Amsterdam

KNP BT, the Netherlands' leading paper and packaging group, reports provisional after-tax net losses for 1993 of Fl 320m ($163.3m).

The group, which emerged from a three-way domestic merger last March, attributes the weak performance to extraordinary costs associated with integration, capacity downsizing and disposals, in a year otherwise dominated by continued overcapacity and recession.

The preliminary operating result was put at a loss of Fl 23m. Definitive figures and 1993 turnover will be announced on March 23.

Mr Robert van Oordt, chairman, predicted a strong recovery for 1994, particularly in the paper production sector, where the group recently merged its activities with those of Leykam-Mürztaler, the lossmaking Austrian group which KNP BT acquired last December.

Mr van Oordt's optimism is based on a recent firming of prices in some segments of the paper market, as well as a lower cost base achieved at the cost of extensive restructuring.

In an unrelated development earlier this week, the group announced plans to sell two Asian graphic distribution subsidiaries – BTI of Korea and Modern Printing Equipment of Hong Kong – to the Danish-based East Asiatic group for an unspecified sum.

The sale is part of KNP BT's attempt to unwind its conflicting interests in graphic machinery which, after the merger, included competing Heidelberger and MAN/Roland distribution franchises.

KNP BT will now represent MAN/Roland in Asia via its Votra distribution unit.

Cap Gemini seeks funds as losses mount

By John Ridding in Paris

Cap Gemini Sogeti, the French computer services group, yesterday announced increased net losses of FFr434m ($72.9m) for last year. It plans to raise FFr1.5bn in new capital.

The results for 1993, which the group described as provisional, compare with net losses of FFr333m the previous year, excluding exceptional capital gains of FFr261m from the sale of a property near the Arc de Triomphe in Paris. Sales in 1993 fell 7.4 per cent to FFr11bn.

The company forecast a gradual improvement in its performance. It was looking forward to "less difficult market conditions" and the impact of its Genesis programme, involving a radical restructuring of the group's operations and activities.

The programme, launched in 1992, is aimed at establishing a more efficient system of management across the group's various geographical and business activities. Under the new system, so-called "strategic business areas" are organised along both geographical and industry sector lines, allowing different regions to specialise in the sector where they are strongest. The group's US operation, for example, is the centre for the oil and gas division.

Cap Gemini spelt out a further reorganisation of the group in 1994. It said it would extend its programme of selling non-core assets, following the disposal of its stakes in Sweden's Jacobson & Widmark AB and Carelcomp of Finland. In Germany, the company planned to integrate CAP Debis with Debis Systemhaus, a subsidiary of Daimler Benz, which holds 51 per cent of CAP Debis.

"The merger will reinforce the co-operation with Debis and create a company with sales of FFr6bn and a complete range of services," the company said.

The increase in capital, aimed at strengthening the group's balance sheet and reducing financial costs, will be largely supported by Sogeti, the principal shareholder in CGS. The company said Sogeti should participate in the capital injection in line with its 61.5 per cent stake in CGS.

Details of the capital increase have yet to be finalised.

pressure

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Base metals suffer from hangover

Base metals prices were suffering the after-effects of over-indulgence late this week as speculators backed away from markets that they been mainly responsible for pushing higher since late last month.

Leading the retreat was zinc, which yesterday dipped to a two-month low of $960 a tonne for three-months delivery at the London Metal Exchange before steadying to $972.50, down $61 on the week. That sorry performance reflected first rumours then confirmation that European zinc producers' efforts to forge an agreement for jointly financed production closures had collapsed. On Thursday Eurometaux, the Brussels-based organisation that provided a forum for the producer negotiations, said that they had been suspended and no new meetings were foreseen. It added, however, that the overcapacity in Europe still had to be addressed and that structural changes were needed within the European industry. "Developments over the last months are demonstrating that such changes are beginning to take place," it said.

Producers remained tight-lipped about the reasons for the failure of their latest attempt at co-operation. But the general manager of the Netherlands' Budel smelter said earlier in the week that there were still "quite a lot of legal issues involved", possibly a reference to anti-trust problems. Financial troubles and top management changes at some big zinc groups may also have complicated the situation.

The announcement yesterday of a sharp rise in LME warehouse stocks added to the zinc market's woes, but the copper market took little comfort from a proportionally much larger fall in its stocks.

A wave of investment fund, speculative and trade selling took the three-months copper price to $1,844.50 a tonne at yesterday's close, down $31 on the day and $44 on the week.

The aluminium market, already buoyed by recent production cut announcements following last month's multilateral agreement in Brussels, began the week in good heart. Monday brought news of the first cut at a Russian smelter (by 20,000 tonnes a year at Novokunznetsk in Siberia) as well as further Australian and US reductions. At the same time a Russian official seemed to succeed in reviving flagging confidence in his country's ability to deliver the promised 500,000 tonnes of cuts this year; and the former Soviet state of Tajikistan's smelter (which produced 280,000 tonnes last year) warned that it would have to shut if raw materials from Uzbekistan remained blocked at the border because of its failure to pay for earlier shipments.

But after that the supply of bullish news dried up and the market's euphoria faded. A run of four daily price falls at the LME – ending with $13.25 yesterday after the announcement of another big rise in warehouse stocks – left the three-months price at $2,265 a tonne, down $30.50 on the week.

At the London Commodity Exchange cocoa and coffee prices remained within their recent trading ranges, but GNI, the London trade house, said in a market report that coffee's fundamentals pointed to the market being "on the verge of a major rally".

Oil prices surrendered some of the gains encouraged by the recent arctic weather in the north-east US as temperatures there turned milder. In late trading yesterday the London International Petroleum Exchange's April crude contract was at $13.75 a barrel, down 52 cents on the week.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+11,275	to 2,544,525
Aluminium alloy	-200	to 46,980
Copper	-11,450	to 583,400
Lead	+3,050	to 324,900
Nickel	+965	to 131,352
Zinc	+5,200	to 1,016,025
Tin	+125	to 21,580

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993/1994 High	1993/1994 Low
Gold per troy oz.	$380.75	-6.95	$328.45	$405.75	$326.05
Silver per troy oz.	356.00p	-10.0	260.50p	386.00p	236.00p
Aluminium 99.7% (cash)	$1244.5	-32.5	$1212.25	$1277.00	$1023.50
Copper Grade A (cash)	$1824.0	-43.5	$1559.50	$2375.00	$1108.50
Lead (cash)	$480.5	-30.0	$292.75	$510.50	$361.50
Nickel (cash)	$5775.0	-130.0	$6087.5	$6340	$4043.5
Zinc SHG (cash)	$954.5	-59.5	$1063	$1112	$858.0
Tin (cash)	$5375.0	-30.0	$5815.0	$6047.5	$4340.0
Cocoa Futures May	£897	+7	£737	£1061	£663
Coffee Futures May	$1204	+5	$925	$1297	$836
Sugar (LDP Raw)	$270.1	-0.7	$220.1	$317.4	$204.5
Barley Futures May	£103.05	+1.45	£139.85	£110.30	£101.50
Wheat Futures May	£99.20	+0.70	£143.60	£149.45	£97.20
Cotton Outlook A Index	81.00c	+1.90	60.75c	81.00c	54.15c
Wool (64s Super)	380p	+2	400p	403p	319p
Oil (Brent Blend)	$13.715x		$18.44	$19.53	$13.64

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Apr.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1244-5	1264.5-5.5
Previous	1257-8	1278-8.5
High/low	-	1276/1262
AM Official	1245-6	1265.5-6.0
Kerb close		1264-5
Open int.	277,016	
Total daily turnover	39,073	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1106-12	1125-30
Previous	1111-7	1130-5
High/low	-	1135/1130
AM Official	1112-4	1128-30
Kerb close		1135-40
Open int.	3,503	
Total daily turnover	305	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	480-1	493-4
Previous	485-6	498-9
High/low	-	496/486
AM Official	478-9	491-2
Kerb close		436-6.5
Open int.	35,041	
Total daily turnover	6,383	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5770-80	5835-40
Previous	5770-80	5830-40
High/low	5745	5860/5790
AM Official	5745-6	5805-10
Kerb close		5845-50
Open int.	54,662	
Total daily turnover	9,842	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5370-80	5425-30
Previous	5367-70	5415-20
High/low	-	5445/5390
AM Official	5360-70	5415-20
Kerb close		5440-5
Open int.	19,187	
Total daily turnover	3,127	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	954-5	972-3
Previous	951-2	968.5-70.0
High/low	-	978/962
AM Official	947-8	966-6.5
Kerb close		975-6
Open int.	103,330	
Total daily turnover	25,336	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1823.5-4.5	1844-5
Previous	1854-5	1875-6
High/low	1821	1866/1839
AM Official	1820-1	1840-1
Kerb close		1845-6
Open int.	253,281	
Total daily turnover	66,262	

■ LME AM Official £/$ rate: 1.4607
LME Closing £/$ rate: 1.4645

Spot:1.4652 3 mths:1.4594 6 mths:1.4558 9 mths:1.4525

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	84.50	-1.20	84.75	84.00	517	118
Mar	84.15	-1.45	85.10	83.60	30,981	7,033
Apr	84.05	-1.75	84.75	84.00	788	26
May	84.15	-1.80	85.10	83.90	17,415	3,154
Jun	84.20	-1.65	84.90	84.90	846	-
Jul	84.25	-1.65	85.50	-	6,996	505
Total					67,349	11,263

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Mar	1173	+6	1175	1170	325	7
Apr	1219	-4	1231	1220	1,243	25
Jul	1097	-13	1105	1105	215	6
Oct	1250	-4	1250	1250	241	2
Jan	1295	-5	-	-	74	-
Total					2,241	62

	Close	Prev
BFI	1166	1170

SPICES
The pepper market was more active this week as more buyers tried to cover neglected positions, reports Man Producten. White pepper remained very steady. Selling pressure was limited because of the Chinese year. Spot white was quoted at US$2,900 a tonne and nearby shipment at $2,750 cif. Black pepper prices continued to rise as reports from India indicated that the new crop was even worse than expected. It remains to be seen whether there will be much pepper left for export purposes because India's consumption must be at least 30,000 tonnes and the crop may fall short by some 40,000 tonnes. In response to the Indian situation other producers increased their prices or withdrew completely. Spot black No.1 was offered at $1,600-$1,650 a tonne, with forward positionns commanding premiums.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	78.02	+0.24	78.10	77.35	9,814	1,162
Oct	72.93	+0.43	73.00	72.80	2,199	120
Dec	70.42	+0.49	70.43	69.90	9,400	595
Mar	70.84	+0.29	70.80	70.80	230	6
Total					58,710	11,154

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	109.05	+2.15	109.90	106.60	8,700	1,116
May	112.15	+2.35	112.50	109.80	3,970	384
Jul	115.00	+2.00	115.00	113.00	2,495	255
Sep	117.00	+2.00	118.75	116.00	850	22
Nov	118.65	+1.80	118.50	117.50	552	19
Jan	120.75	+1.75	119.95	119.00	792	37
Total					17,381	1,834

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 11	Feb 10	month ago	year ago
1785.8	1785.0	1687.2	1782.0

■ CRB Futures (Base: 4/9/56=100)

Feb 10	Feb 9	month ago	year ago
227.05	227.58	225.43	202.39

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jul	53.750	+0.050	54.050	53.575	[illegible]	[illegible]
Aug	52.350	+0.175	52.600	52.075	2,535	252
Oct	48.325	+0.050	48.550	48.150	1,431	68
Total					32,385	5,078

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	55.675	-0.100	56.300	55.150	923	364
Mar	55.525	-0.200	56.175	55.100	2,828	2,908
May	56.300	-0.025	56.850	55.850	4,900	2,835
Jul	56.800	+0.200	57.100	56.100	2,198	584
Aug	54.475	+0.075	54.950	53.900	519	59
Total					11,368	6,720

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	37	61	50	61
1300	27	50	65	75
1325	20	41	82	90
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	44	73	53	66
1900	25	52	84	52
1950	13	35	121	126
■ COFFEE LCE	Mar	May	Mar	May
1150	51	83	1	29
1200	13	55	13	51
1250	1	35	51	81
■ COCOA LCE	Mar	May	Mar	May
850	38	70	2	23
875	19	55	8	33
900	7	42	21	45
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1400	10	38	3	59
1450	-	18	-	-
1500	-	10	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$12.56-2.66w	-0.03
Brent Blend (dated)	$13.61-3.64	+0.06
Brent Blend (Apr)	$13.71-3.72	+0.03
W.T.I. (1pm est)	$14.86-4.89w	+0.035

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$154-155	+2
Gas Oil	$146-147	+1
Heavy Fuel Oil	$76-78	
Naphtha	$137-141	+1.5
Jet Fuel	$162-163	+1

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$380.75	-1.50
Silver (per troy oz)♣	525.5c	-5.0
Platinum (per troy oz.)	$390.00	-2.00
Palladium (per troy oz.)	$132.75	+0.25
Copper (US prod.)	91.0c	-1.0
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	N/A	
Tin (New York)	250.50c	+1.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	122.02p	+0.08*
Sheep (live weight)†♠	113.51p	+3.84*
Pigs (live weight)	69.75p	+5.67*
Lon. day sugar (raw)	$270.10	-1.40
Lon. day sugar (wte)	$306.00	-3.20
Tate & Lyle export	$296.50	-1.00
Barley (Eng. feed)	£96.50	
Maize (US No3 Yellow)	£128.0	
Wheat (US Dark North)	£143.5	
Rubber (Mar)♥	64.50p	
Rubber (Apr)♥	64.75p	
Rubber (KL RSS No1 Feb)	234.5m	
Coconut Oil (Phil)§	$580.0x	
Palm Oil (Malay.)§	$390.0t	
Copra (Phil)§	$368.0	
Soyabeans (US)	£208.0y	+0.5
Cotton Outlook A Index	81.00c	+0.50
Wooltops (64s Super)	380p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Jan/Mar. t Apr. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.7400	-0.110	6.31	6.26	6.34
Belgium		7.250	04/04	104.4700	-0.230	6.63	6.57	6.55
Canada *		7.500	12/03	106.5000	-0.200	6.59	6.53	6.47
Denmark		7.000	12/04	106.1000	-0.200	6.21	6.09	5.95
France	BTAN	8.000	05/98	109.7500	+0.110	5.35	5.22	5.08
	OAT	5.500	04/04	97.0900	-0.060	5.89	5.86	5.66
Germany		6.000	09/03	101.4000	+0.250	5.80	5.79	5.63
Italy		8.500	01/04	101.4000	+1.080	8.29†	8.42	8.58
Japan	No 119	4.800	06/99	108.1070	+0.096	3.04	3.08	2.47
	No 157	4.500	06/03	107.4200	+0.074	3.45	3.52	3.08
Netherlands		5.750	01/04	99.3000	-0.240	5.84	5.75	5.60
Spain		10.500	10/03	116.8500	-0.450	7.96	7.88	8.02
UK Gilts		9.750	01/98	113-01	-	5.95	5.85	5.85
		6.750	11/04	101-11	+5/32	6.56	6.39	6.30
		9.000	10/08	119-23	+2/32	6.84	6.71	6.66
US Treasury *		5.750	08/03	98-21	-	5.94	5.83	5.73
		6.250	08/23	97-25	-	6.42	6.32	6.29
ECU (French Govt)		6.000	04/04	98.9300	-	6.13	6.10	5.94

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
[illegible]	1-15	2-02	0-17	1-48
[illegible]	0-39	1-35	0-41	2-17
[illegible]	0-15	1-10	1-17	2-56

Est. vol. total, Calls 29152 Puts 8536. Previous day's open int., Calls 113384 Puts 85275

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-15	114-16	-0-01	115-02	114-02	398,170	320,317
Jun	113-15	113-15	-	114-00	113-02	7,407	31,561
Sep	112-08	112-18	-0-08	112-28	112-07	1,615	34,690

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

ECONOMIC DIARY – FORWARD EVENTS

TODAY: National savings results (January). Winter Olympics begins.

MONDAY: Producer price index numbers (January). US business inventories (December). EU finance ministers meet in Brussels. European Union-ACP parliamentary assembly meets in Athens (until February 18). Mr John Major, prime minister, visits Russia. Mr Chris Patten, governor of Hong Kong, addresses the Asia/Australia Institute in Sydney.

TUESDAY: CBI survey of distributive trades (January). Index of production (December). Acquisitions and mergers within the UK (fourth quarter). New construction orders (December). US industrial production (January); capacity utilisation (January). Japan WPI (January). Middle East negotiations are scheduled to resume in Washington. European Commission hosts emergency meeting of scientific committee of North Atlantic Fisheries Organisation in Brussels. Financial Times holds conference "Cable and Satellite Broadcasting" in London.

WEDNESDAY: Retail prices index (January). Public sector borrowing requirement (January). Retail sales (January). Labour market statistics: unemployment and unfilled vacancies (January-provisional); average earnings indices (December-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Farm rents in Wales: results of 1993 annual rent enquiry. US housing starts (January); building permits (January).

THURSDAY: Machine tools (December). Financial statistics (February). Provisional figures for vehicle production (January). US merchandise trade (December); consumer price index (January). Bundesbank council meets.

FRIDAY: Building societies monthly figures (January). Provisional estimates of M4 and counterparts (January). Major British banking groups' monthly statement (end-January). Mr Boris Yeltsin, Russian president, to present his plans for Russia's future at a joint session of both chambers of parliament.

CURRENCIES AND MONEY

MARKETS REPORT

Pressure on $

Investor support for the dollar weakened yesterday following the release of weak sales and inflation data and uncertainty surrounding trade talks with Japan, *writes Philip Gawith.*

Market attention was focused on the Washington summit between President Clinton and Mr Morihiro Hosokawa. Trade was initially directionless, but the dollar started to slide when pessimism set in about the talks. It closed in London at Y107.9 against Y108.450 on Thursday.

Sterling finished the week slightly stronger after earlier falling more than 5 pfennigs in a negative response to Tuesday's 25 basis point cut in interest rates. It closed in London at DM2.5685, up from DM2.5625 on Thursday.

■ The dollar lost ground against the D-Mark as the release of weak data combined with scepticism about the likelihood of a Bundesbank rate cut on Thursday. It closed in London at DM1.7517, marginally down on Thursday's close of DM1.7534.

Seasonally adjusted total retail sales fell by 0.5 per cent compared to a forecast increase of 0.4 per cent. January producer prices rose by 0.2 per cent, lower than the 0.4 per cent gain forecast. The market sold the dollar reasoning that these figures made a further tightening in US policy more distant.

■ Pound in New York

Feb 11	—Latest—	– Prev. close –
£ spot	1.4635	1.4625
1 mth	1.4615	1.4604
3 mth	1.4577	1.4565
1 yr	1.4481	1.4468

Analysts cautioned against reading too much into the figures which were distorted by bad weather and an earthquake.

Against the yen, meanwhile, the succinct view of one observer was that "most people don't have a clue where the rate is going." The tenor of comments emerging from US and Japanese officials was not encouraging. Late yesterday US Commerce Secretary Mr Ron Brown told a TV station that the trade talks were not going well. "We are very disappointed. They (the negotiations) still don't look good."

Earlier the yen rose against the dollar after a senior US official refused to rule out retaliation if the talks failed. "We want a good agreement or no agreement. We won't settle for anything less," the official was quoted as saying. Earlier comments from US vice-president Al Gore also had an air of preemptive damage limitation about them.

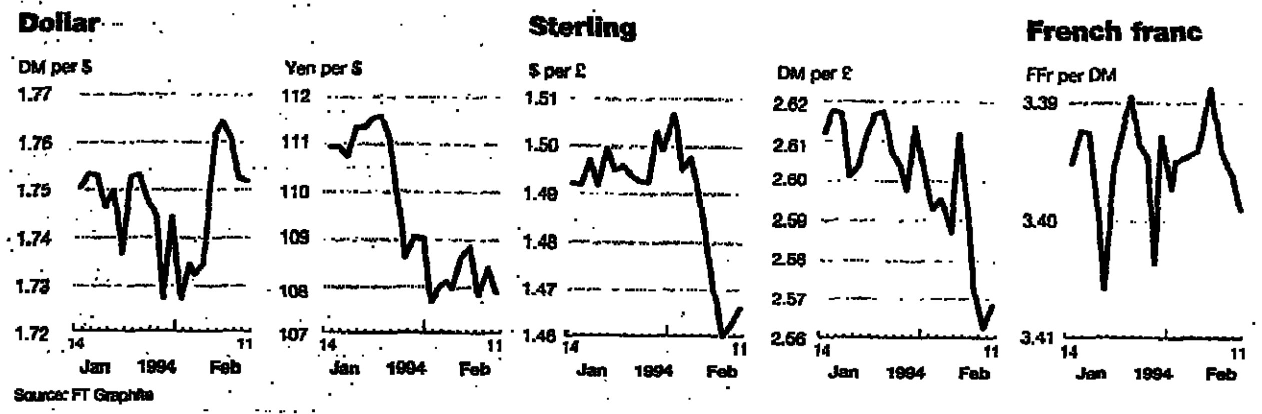
Mr Clinton and Mr Hosokawa sought agreements which offered cheaper foreign goods to Japanese consumers and new export opportunities for US companies.

Some observers took comfort from the fact that both leaders have reputations as dealmakers. Mr Paul Lambert, currency economist at UBS, said if a deal emerged, attention would shift towards economic fundamentals which favoured a stronger dollar. The recent strength of the yen has been largely a function of political considerations, although foreign buying of equities has also helped the currency.

■ Sterling fell below DM2.56 and $1.46 on news of a higher than expected trade gap with the rest of world in November. It later recovered to finish the day half a cent higher at $1.4663.

■ The D-Mark was firmer across the board in late European trade with the prospect of a Bundesbank rate cut on Thursday increasingly discounted. It closed at Ffr3.40 and L965.3 respectively against the French and Italian currencies, marginally stronger in both cases.

■ The Bank of England provided the UK money market with £950m of assistance in line with its revised forecast for the day.



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Feb 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0786	+0.0219	692 - 839	18.1021	17.9844	18.0728	0.2	18.0872	0.2	-	-	113.1
Belgium	(BFr)	53.0214	+0.1224	812 - 616	53.0850	52.7566	53.0764	-1.2	53.1914	-1.3	53.4954	-0.9	113.5
Denmark	(DKr)	10.0187	+0.0275	151 - 222	10.0365	9.9789	10.0269	-1.0	10.0444	-1.0	10.0752	-0.6	114.0
Finland	(FM)	8.3189	+0.0203	099 - 279	8.3376	8.2320	-	-	-	-	-	-	81.2
France	(FFr)	8.7300	+0.0264	249 - 351	8.7357	8.6976	8.7379	-1.1	8.7531	-1.1	8.7803	-0.6	107.4
Germany	(DM)	2.5685	+0.006	674 - 696	2.5738	2.5542	2.5703	-0.8	2.5727	-0.7	2.5735	-0.2	121.7
Greece	(Dr)	370.608	+2.383	312 - 903	370.946	368.621	-	-	-	-	-	-	-
Ireland	(I£)	1.0439	+0.0049	425 - 453	1.0461	1.0343	1.0446	-0.7	1.0459	-0.8	1.0506	-0.6	102.7
Italy	(L)	2476.60	+6.47	754 - 965	2481.26	2468.88	2484.8	-3.0	2497.95	-3.1	2542.80	-2.6	76.8
Luxembourg	(LFr)	53.0214	+0.1224	812 - 616	53.0850	52.7566	53.0764	-1.2	53.1914	-1.3	53.4954	-0.9	113.5
Netherlands	(Fl)	2.8791	+0.0088	778 - 804	2.8815	2.8642	2.8797	-0.3	2.8798	-0.1	2.8735	0.2	117.6
Norway	(NKr)	11.0967	+0.0259	929 - 004	11.1206	11.0271	11.0937	0.3	11.086	0.4	11.0952	0.0	84.2
Portugal	(Es)	259.242	+1.798	042 - 442	259.835	257.694	260.232	-4.6	262.387	-4.8	-	-	-
Spain	(Pta)	208.985	+0.563	758 - 211	209.259	208.078	209.605	-3.6	210.85	-3.6	214.845	-2.8	84.7
Sweden	(SKr)	11.8553	+0.0124	473 - 632	11.8985	11.8088	11.8763	-2.1	11.9163	-2.1	12.0493	-1.6	76.5
Switzerland	(SFr)	2.1644	+0.0043	634 - 654	2.1661	2.1601	2.1628	0.9	2.1589	1.0	2.1391	1.2	117.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.0
Ecu	-	1.3240	+0.0044	231 - 248	1.3250	1.3182	1.3253	-1.2	1.3278	-1.1	1.3323	-0.6	-
SDR†	-	0.942138	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4635	+0.005	631 - 638	1.4642	1.4558	-	-	-	-	-	-	-
Brazil	(Cr)	795.585	+17.099	415 - 755	796.000	777.000	-	-	-	-	-	-	-
Canada	(C$)	1.9704	+0.0085	696 - 711	1.9725	1.9575	1.968	1.5	1.9635	1.4	1.9522	0.9	90.3
Mexico	(New Peso)	4.5529	+0.0149	505 - 553	4.5576	4.5307	-	-	-	-	-	-	-
USA	($)	1.4663	+0.0048	660 - 666	1.4670	1.4587	1.4642	1.7	1.4603	1.7	1.4504	1.1	67.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0467	+0.0119	455 - 478	2.0450	2.0355	2.0452	0.9	2.0428	0.8	2.0409	0.3	-
Hong Kong	(HK$)	11.3646	+0.0347	615 - 676	11.3710	11.3093	11.3429	2.3	11.3085	2.0	11.2084	1.4	-
India	(Rs)	45.9942	+0.1487	811 - 072	46.0080	45.7590	-	-	-	-	-	-	-
Japan	(Y)	158.214	-0.286	108 - 320	158.610	157.630	157.849	2.8	157.039	3.0	153.574	2.9	183.3
Malaysia	(M$)	4.0492	+0.014	469 - 515	4.0544	4.0269	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5570	+0.0146	549 - 591	2.5610	2.5439	2.5599	-1.4	2.5642	-1.1	2.5728	-0.6	-
Philippines	(Peso)	40.3967	+0.1322	951 - 982	40.8743	39.9365	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.4994	+0.0182	975 - 012	5.5041	5.4716	-	-	-	-	-	-	-
Singapore	(S$)	2.3241	+0.0069	221 - 260	2.3277	2.3128	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0566	+0.0182	533 - 598	5.0602	5.0318	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.7120	+0.0439	033 - 207	6.7257	6.6788	-	-	-	-	-	-	-
South Korea	(Won)	1189.25	+3.9	893 - 958	1190.20	1183.15	-	-	-	-	-	-	-
Taiwan	(T$)	38.7690	+0.1269	464 - 916	38.8200	38.5800	-	-	-	-	-	-	-
Thailand	(Bt)	37.3320	+0.1222	097 - 543	37.3570	37.1530	-	-	-	-	-	-	-

†SDR rate for Feb.10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.3280	-0.0255	255 - 305	12.3775	12.3135	12.348	-1.9	12.3822	-1.8	12.4425	-0.9	102.4
Belgium	(BFr)	36.1600	-0.035	400 - 800	36.2360	36.0950	36.25	-3.0	36.43	-3.0	36.89	-2.0	103.2
Denmark	(DKr)	6.8326	-0.0037	316 - 336	6.8606	6.8246	6.8503	-3.1	6.8811	-2.8	6.9476	-1.7	103.0
Finland	(FM)	5.6734	-0.0047	684 - 784	5.7043	5.6290	5.6794	-1.3	5.6894	-1.1	5.7209	-0.8	76.0
France	(FFr)	5.9538	-0.0015	515 - 560	5.9710	5.9435	5.9679	-2.8	5.9951	-2.8	6.0536	-1.7	103.9
Germany	(D)	1.7517	-0.0017	513 - 521	1.7630	1.7475	1.7554	-2.6	1.7619	-2.3	1.7745	-1.3	103.4
Greece	(Dr)	252.750	+0.8	600 - 900	253.300	252.400	255.95	-15.2	262.9	-16.1	291.75	-15.4	71.3
Ireland	(I£)	1.4046	-0.0021	030 - 062	1.4124	1.3992	1.4017	2.5	1.3957	2.5	1.3795	1.8	-
Italy	(L)	1690.38	-1.12	000 - 075	1696.00	1689.12	1697.08	-4.8	1710.88	-4.9	1753.38	-3.7	77.6
Luxembourg	(LFr)	36.1600	-0.035	400 - 800	36.2360	36.0950	36.25	-3.0	36.43	-3.0	36.89	-2.0	103.2
Netherlands	(Fl)	1.9635	-0.0018	630 - 640	1.9693	1.9571	1.9667	-2.0	1.9722	-1.8	1.9805	-0.9	103.1
Norway	(NKr)	7.5878	-0.0071	688 - 888	7.6075	7.5429	7.5765	-1.4	7.5938	-1.4	7.6308	-0.8	94.5
Portugal	(Es)	176.800	+0.65	700 - 900	177.000	176.300	177.7	-6.1	179.63	-6.4	186.5	-5.5	94.2
Spain	(Pta)	142.525	-0.09	400 - 650	142.920	142.400	143.155	-5.3	144.415	-5.3	148.15	-3.9	80.3
Sweden	(SKr)	8.0852	-0.0181	814 - 889	8.1413	8.0760	8.1107	-3.8	8.1602	-3.7	8.2972	-2.6	82.0
Switzerland	(SFr)	1.4761	-0.0019	757 - 765	1.4832	1.4757	1.4771	-0.9	1.4785	-0.7	1.4744	0.1	103.9
UK	(£)	1.4663	+0.0048	660 - 666	1.4670	1.4587	1.4642	1.7	1.4603	1.7	1.4504	1.1	89.7
Ecu	-	1.1075	-0.0001	070 - 080	1.1093	1.1045	1.1049	2.9	1.0997	2.8	1.0885	1.7	-
SDR†	-	1.37505	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	+0.0001	980 - 981	0.9981	0.9980	-	-	-	-	-	-	-
Brazil	(Cr)	542.580	+9.917	575 - 585	542.580	542.570	-	-	-	-	-	-	-
Canada	(C$)	1.3438	+0.0014	435 - 440	1.3442	1.3404	1.3441	-0.3	1.3446	-0.2	1.3456	-0.1	86.7
Mexico	(New Peso)	3.1050	-	040 - 060	3.1060	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3958	+0.0035	953 - 963	1.3968	1.3916	1.3968	-0.9	1.3997	-1.1	1.4072	-0.8	89.8
Hong Kong	(HK$)	7.7505	-0.0018	500 - 510	7.7524	7.7500	7.752	-0.2	7.7545	-0.2	7.7655	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4325	-2.5	31.5675	-2.6	-	-	-
Japan	(Y)	107.900	-0.55	850 - 950	108.450	107.850	107.805	1.1	107.555	1.3	105.84	1.9	143.3
Malaysia	(M$)	2.7615	+0.0005	605 - 625	2.7625	2.7615	2.755	2.8	2.754	1.1	2.7765	-0.5	-
New Zealand	(NZ$)	1.7439	+0.0043	428 - 449	1.7449	1.7397	1.7455	-1.1	1.75	-1.4	1.7642	-1.2	-
Philippines	(Peso)	27.5500	-	500 - 500	27.8000	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	500 - 510	3.7505	3.7502	3.7529	-0.8	3.7572	-0.7	3.776	-0.7	-
Singapore	(S$)	1.5850	-0.0005	840 - 860	1.5860	1.5850	1.5839	0.9	1.5817	0.8	1.594	-0.6	-
S Africa (Com.)	(R)	3.4485	+0.0017	470 - 500	3.4500	3.4440	3.4655	-5.9	3.4945	-5.3	3.602	-4.5	-
S Africa (Fin.)	(R)	4.5775	+0.015	725 - 825	4.6000	4.5750	4.6085	-8.1	4.6675	-7.9	-	-	-
South Korea	(Won)	811.050	-	000 - 100	811.300	810.000	814.05	-4.4	817.55	-3.2	836.05	-3.1	-
Taiwan	(T$)	26.4400	-	300 - 500	26.4500	26.4200	26.5425	-4.7	26.69	-3.8	-	-	-
Thailand	(Bt)	25.4600	-	500 - 700	25.4700	25.4500	25.53	-3.3	25.67	-3.3	25.81	-1.4	-

†SDR rate for Feb.10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.10. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.90	16.47	4.843	1.969	4676	5.430	20.94	488.9	394.0	22.37	4.081	1.886	3.716	2.765	298.4	2.497
Denmark	(DKr)	52.91	10	8.713	2.563	1.042	2474	2.873	11.08	258.7	208.5	11.84	2.160	0.998	1.966	1.463	157.9	1.321
France	(FFr)	60.73	11.48	10	2.942	1.196	2840	3.298	12.71	296.9	239.3	13.59	2.479	1.145	2.257	1.679	181.2	1.517
Germany	(DM)	20.65	3.902	3.400	1	0.407	965.3	1.121	4.322	100.9	81.35	4.618	0.843	0.389	0.767	0.571	61.60	0.516
Ireland	(I£)	50.79	9.596	8.362	2.460	1	2375	2.758	10.63	248.3	200.1	11.36	2.073	0.958	1.887	1.404	151.5	1.268
Italy	(L)	2.139	0.404	0.352	0.104	0.042	100.	0.116	0.448	10.46	8.427	0.478	0.087	0.040	0.079	0.059	6.382	0.053
Netherlands	(Fl)	18.42	3.480	3.032	0.892	0.363	861.1	1	3.856	90.03	72.56	4.119	0.752	0.347	0.684	0.509	54.95	0.460
Norway	(NKr)	47.77	9.027	7.865	2.314	0.941	2233	2.594	10	233.5	188.2	10.68	1.950	0.901	1.775	1.321	142.5	1.193
Portugal	(Es)	20.46	3.866	3.368	0.991	0.403	956.4	1.111	4.282	100.	80.59	4.576	0.835	0.386	0.760	0.566	61.03	0.511
Spain	(Pta)	25.38	4.797	4.179	1.229	0.500	1187	1.378	5.314	124.1	100.	5.677	1.036	0.479	0.943	0.702	75.73	0.634
Sweden	(SKr)	44.70	8.449	7.361	2.165	0.880	2090	2.427	9.359	218.5	176.1	10	1.825	0.843	1.661	1.236	133.4	1.116
Switzerland	(SFr)	24.50	4.630	4.034	1.187	0.482	1146	1.330	5.129	119.8	96.53	5.481	1	0.462	0.910	0.677	73.11	0.612
UK	(£)	53.02	10.02	8.730	2.568	1.044	2479	2.879	11.10	259.2	208.9	11.86	2.164	1	1.970	1.466	158.2	1.324
Canada	(C$)	26.91	5.086	4.431	1.304	0.530	1258	1.461	5.635	131.6	106.0	6.020	1.098	0.508	1	0.744	80.30	0.672
US	($)	36.17	6.835	5.955	1.752	0.712	1691	1.964	7.572	176.8	142.5	8.090	1.476	0.682	1.344	1	107.9	0.903
Japan	(Y)	335.1	63.34	55.18	16.23	6.599	15670	18.20	70.16	1638	1320	74.97	13.68	6.321	12.45	9.267	1000.	8.369
Ecu		40.05	7.568	6.594	1.940	0.789	1872	2.174	8.384	195.8	157.8	8.958	1.634	0.755	1.488	1.107	119.5	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.789439	+0.002815	-2.37	4.90	18
Netherlands	2.19672	2.17543	-0.00133	-0.97	3.42	-
Germany	1.94964	1.94063	-0.00251	-0.46	2.83	-
Belgium	40.2123	40.0219	-0.0399	-0.47	2.90	3
France	6.53883	6.59514	-0.00411	0.86	1.54	-7
Portugal	192.854	195.568	+0.162	1.41	0.99	-9
Denmark	7.43679	7.58427	+0.01834	1.98	0.42	-14
Spain	154.250	157.973	+0.385	2.41	0.00	-17
NON ERM MEMBERS						
Greece	264.513	279.935	+0.449	5.83	-3.23	-
Italy	1793.19	1875.49	+8.61	4.59	-2.08	-
UK	0.786749	0.757618	+0.000722	-3.70	6.35	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5697	0.5693	-0.0001	0.5711	0.5685	36,224	144,394
Jun	0.5660	0.5680	-0.0006	0.5677	0.5656	369	9,893
Sep	-	0.5645	+0.0023	-	-	7	332

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9242	0.9254	+0.0009	0.9272	0.9228	20,080	79,319
Jun	0.9290	0.9287	+0.0004	0.9293	0.9285	372	7,215
Sep	-	0.9324	+0.0014	-	-	3	751

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.400	5.82	5.78	6.06	-	0.12	0.60
1.425	3.32	3.64	4.20	-	0.48	1.21
1.450	0.92	1.97	2.67	-	1.26	2.18
1.475	-	0.86	1.62	1.43	2.59	3.51
1.500	-	0.28	0.89	3.87	4.50	5.26
1.525	-	0.06	0.44	6.37	6.74	7.30

Previous day's vol., Calls 12,409 Puts 22,885 . Prev. day's open int., Calls 518,581 Puts 530,948

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6758	0.6751	-0.0008	0.6775	0.6738	28,287	49,451
Jun	0.6744	0.6742	-0.0018	0.6771	0.6733	128	1,248
Sep	-	0.6754	-0.0007	-	-	2	45

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4604	1.4584	-0.0022	1.4624	1.4566	16,255	41,103
Jun	1.4540	1.4540	-0.0016	1.4580	1.4520	342	2,197
Sep	-	1.4480	-	1.4530	1.4480	13	427
Dec	-	1.4460	-	1.4500	1.4450	1	12

WORLD INTEREST RATES

MONEY RATES

February 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6⅛	6⅜	6¼	6¼	7.40	5.25	-
week ago	7¼	6⅝	6⅝	6¼	6⅛	7.40	5.25	-
France	6⅝	6¼	6⅜	6⅛	5⅞	6.20	-	7.75
week ago	6⅝	6¼	6⅛	6¼	5¾	6.20	-	7.75
Germany	6.18	6.05	5.85	5.65	5.37	6.75	5.75	6.00
week ago	5.99	6.05	5.80	5.60	5.28	6.75	5.75	6.00
Ireland	6	5⅞	5⅞	5¾	5¾	-	-	6.75
week ago	6	5⅞	5⅞	5¾	5⅞	-	-	6.75
Italy	8⅝	8⅝	8½	8⅜	8¼	-	8.00	8.92
week ago	8⅝	8⅝	8⅝	8½	8	-	8.00	8.92
Netherlands	5.61	5.50	5.31	5.11	4.95	-	5.25	-
week ago	5.53	5.50	5.30	5.09	4.90	-	5.25	-
Switzerland	4½	4⅜	4¼	4⅛	3⅞	6.625	4.00	-
week ago	4¼	4⅜	4⅜	3⅞	3⅞	6.625	4.00	-
US	3⅜	3⅜	3½	3⅝	4	-	3.00	-
week ago	3⅛	3⅜	3⅜	3⅝	3⅞	-	3.00	-
Japan	2⅛	2¼	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2¼	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	3⅛	3⅜	3¾	4⅛	-	-	-
week ago	-	3⅛	3⅜	3⅝	3⅞	-	-	-
US Dollar CDs	-	3.25	3.40	3.59	3.92	-	-	-
week ago	-	3.25	3.16	3.30	3.62	-	-	-
SDR Linked Ds	-	3⅞	3¾	3¾	3¾	-	-	-
week ago	-	3¾	3¾	3¾	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅞ - 6¾	6¾ - 6⅝	6 11/16 - 6 9/16	6⅜ - 6¼	6 7/16 - 6 5/16	6¼ - 6⅛
Danish Krone	6 - 5½	6⅞ - 6⅜	6½ - 6¼	6½ - 6¼	6⅛ - 5⅞	5⅞ - 5⅝
D-Mark	6 3/16 - 6 1/16	6 3/16 - 6 1/16	6⅛ - 6	5 15/16 - 5 13/16	5⅛ - 5	4 15/16 - 4 13/16
Dutch Guilder	5⅝ - 5½	5⅝ - 5½	5½ - 5⅜	5⅜ - 5¼	6⅛ - 6	5¾ - 5⅝
French Franc	6 7/16 - 6 5/16	6 7/16 - 6 5/16	6 7/16 - 6 5/16	6 3/16 - 6 1/16	9⅞ - 9⅝	9⅞ - 9⅝
Portuguese Esc.	9 1/16 - 8⅞	10⅛ - 9 13/16	10 - 9¾	10 - 9¾	8½ - 8⅛	8⅛ - 8
Spanish Peseta	9 1/16 - 8 13/16	9 1/16 - 8⅞	9⅛ - 8 13/16	8 15/16 - 8¾	6⅜ - 5⅛	5¼ - 5 3/16
Sterling	5⅜ - 5⅛	5¼ - 5⅛	5 5/16 - 5⅛	5 5/16 - 5⅛	4 - 3⅞	3⅞ - 3¾
Swiss Franc	4½ - 4¼	4½ - 4⅛	4 7/16 - 4 5/16	4⅛ - 4	4 - 3⅞	4¼ - 4⅛
Can. Dollar	3½ - 3¼	3⅜ - 3⅛	3⅝ - 3½	3 13/16 - 3 11/16	3⅝ - 3⅝	4 1/16 - 3 15/16
US Dollar	3¼ - 3⅛	3 5/16 - 3 3/16	3⅜ - 3¼	3 5/16 - 3 3/16	8⅛ - 7¾	8¼ - 7⅞
Italian Lira	10 - 8	8⅝ - 8⅛	8⅛ - 7⅞	8⅜ - 7⅞	2⅜ - 2⅛	2 5/16 - 2 3/16
Yen	2⅝ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2¼ - 2 3/16	4 - 3	4¼ - 3¼
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3		

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.93	93.94	+0.01	93.95	93.89	20,191	106,599
Jun	94.41	94.41	-	94.43	94.37	13,557	82,536
Sep	94.75	94.74	-0.01	94.76	94.71	5,304	47,247
Dec	94.99	94.97	-0.02	95.01	94.93	5,013	31,687

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.35	96.36	-0.01	96.36	96.34	363	5635
Jun	96.04	96.06	-	96.06	96.03	159	4408
Sep	95.70	95.72	-0.01	95.71	95.69	84	1648
Dec	95.29	95.32	-0.01	95.31	95.29	26	956

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.31	94.31	0.01	94.36	94.29	14330	210512
Jun	94.73	94.74	-	94.78	94.71	22690	206342
Sep	95.04	95.05	-	95.08	95.00	13277	165492
Dec	95.23	95.23	0.01	95.23	95.17	5854	128406

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.75	91.66	-0.09	91.75	91.61	6421	40191
Jun	92.32	92.22	-0.10	92.32	92.18	2985	43512
Sep	92.66	92.62	-0.10	92.66	92.65	1413	22109
Dec	92.94	92.89	-0.08	92.94	92.87	838	15499

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.87	95.90	0.02	95.91	95.83	6302	34913
Jun	96.17	96.18	0.01	96.18	96.14	2237	22228
Sep	96.27	96.27	-	96.27	96.25	141	6048
Dec	96.22	96.26	-0.01	96.22	96.22	1	3136

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.80	93.78	-0.02	93.80	93.76	393	13263
Jun	94.31	94.29	-0.02	94.31	94.28	628	10340
Sep	94.69	94.67	-0.02	94.69	94.66	356	8845
Dec	94.90	94.88	-0.02	94.90	94.88	210	6286

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.35	96.35	-0.01	96.36	96.33	39,349	366,245
Jun	96.04	96.05	-0.01	96.09	96.00	84,5231	404,125
Sep	95.71	95.70	-0.02	95.75	95.68	65,062	326,396
Dec	95.31	95.30	-0.02	95.36	95.26	37,501	244,029

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.65	96.65	-0.01	96.67	96.64	1,343	16m488
Jun	96.35	96.37	-	96.41	96.34	3,030	19,475
Sep	96.05	96.05	-0.02	96.05	96.03	237	3,645

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9425	0.13	0.52	0.84	0.07	0.03	0.04
9450	0.04	0.32	0.61	0.23	0.08	0.08
9475	0.01	0.16	0.42	0.45	0.19	0.12

Est. vol. total, Calls 12122 Puts 3480. Previous day's open int., Calls 229895 Puts 164119

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.16	0.46	0.58	0.03	0.03	0.04
9600	0.05	0.28	0.38	0.15	0.05	0.09
9625	0.03	0.10	0.20	0.38	0.17	0.16

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1594 Puts 3368

UK INTEREST RATES

LONDON MONEY RATES

Feb 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4¼ - 3	5 - 4⅝	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5¼ - 5⅛	5¼ - 5⅛
Sterling CDs	-	-	5⅛ - 5 1/16	5⅛ - 5 1/16	5⅛ - 5 1/16	5 3/32 - 5 1/32
Treasury Bills	-	-	4 15/16 - 4⅞	4⅞ - 4 13/16	-	-
Bank Bills	-	-	5 - 4 15/16	4 31/32 - 4⅞	4 31/32 - 4⅞	-
Local authority deps.	4 3/16 - 4 1/16	5 3/16 - 4 15/16	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5 5/16 - 5 3/16
Discount market deps.	4¼ - 3½	4¾ - 4⅝	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7106pc. ECGD fixed rate Stg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.78	94.78	-0.01	94.79	94.76	12682	84808
Jun	94.91	94.91	-0.01	94.91	94.86	11079	111298
Sep	94.86	94.86	-0.01	94.87	94.82	3788	60961
Dec	94.76	94.77	0.01	94.77	94.71	3431	92241

Traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9475	0.07	0.24	0.28	0.04	0.08	0.17
9500	0.01	0.10	0.15	0.23	0.19	0.29
9525	0	0.03	0.07	0.47	0.37	0.46

Est. vol. total, Calls 10899 Puts 5177. Previous day's open int., Calls 163999 Puts 145819

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.5
Bank of India	5.25	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Wimbledon & Sth West.	6.5
Barclays Bank	5.25	C. Hoare & Co	5.25	Yorkshire Bank	5.25
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25	● Members of British Merchant Banking & Securities Houses Association	
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25	* In administration	
Citibank NA	5.25	Lloyds Bank	5.25		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.25		
Clydesdale Bank	5.25	Midland Bank	5.25		
The Co-operative Bank	5.25	* Mount Banking	6		
Coutts & Co	5.25	NatWestminster	5.25		
Credit Lyonnais	5.25	●Rea Brothers	5.25		
Cyprus Popular Bank	5.5				

MONEY MARKET FUNDS

Money Market Trust Funds

Coutts & Co
CAF Money Management Co Ltd
Dan Hong Bank (London) PLC Premier Acc
The COIF Charities Deposit Account
Cent. Bd. of Fin. of Church of England
Gartmore Money Management Ltd
[illegible]

Money Market Bank Accounts

Aitken Hume Bank plc
Allied Trust Bank Ltd
American Express Bank Ltd
Bank of Ireland High Interest Cheque Acc
Bank of Scotland
Barclays Select
Barclays Prime Account H.I.C.A.
Brown Shipley & Co Ltd
Caledonian Bank Plc
Cater Allen Ltd
Charterhouse Bank Limited
Clydesdale Bank Flexible Solution Acc
The Co-operative Bank
Lloyds Bank
Midland Bank plc
Royal Bank of Scotland plc
Tyndall Bank plc
Western Trust High Interest Cheque Acc
Wimbledon & South West Finance PLC
[illegible]

Futures

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¼% Stk 2000/03 - £137$\frac{1}{4}$ 137$\frac{13}{32}$
Exchequer 10½% Stk 2005 - £129$\frac{7}{32}$

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £33 (9Fe94)
Birmingham Corp 3½% Stk 1946(or after) - £42
Birmingham District Council 11½% Red Stk 2012 - £137 (4Fe94)
Dudley Metropolitan Borough Council7% Ln ...

Land Securities PLC 9½% Bds 2007(Br£1000&10000) - £112½
Land Securities PLC 6¾% Cnv Bds 2002(Br£1000) - £113¾ (8Fe94)
Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £127¼ (9Fe94)
Lasmo PLC 7¾% Cnv Bds 2005(Br£1000&10000) - £94 (9Fe94)
Lasmo PLC 9½% Nts 1999 (Br £ Var) - £105¼ (9Fe94)
Leeds Permanent Building Society 10½% Subord Bds 1998 (Br£5000) - £124⅛ ¼ (8Fe94)
Leeds Permanent Building Society 10½% Subord Bds 2018 (Br £Var) - £123¼
Leeds Permanent Building Society Collared Rtg Rte Nts 2003 (Br £ Var) - £105½

...

International Bank for Rec & Dev 9¼% Bds 2007 (Br£5000) - £119½ 20¼ (8Fe94)
International Bank for Rec & Dev 10% Bds 1999(Br£1000&10000) - £115¼ ½
International Bank for Rec & Dev 10⅛% Nts 1999 (Br£5000) - £117⅞ ⅝ (4Fe94)
Italy(Republic of) 10½% Bds 2014 (Br£10000&50000) - £126⅝ (9Fe94)
Kansai Electric Power Co Inc 7⅛% Nts 1998 (Br £ Var) - £103¼
Ladbroke Group PLC 5⅛% Subord Cnv Bds 2004(Br£1000&5000) - £132½ 3½ (7Fe94)
Ladbroke Group PLC 8⅞% Bds 2003 (Br £ Var) - £104 (7Fe94)
Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £106¼ (9Fe94)

Sterling Issues by Overseas Borrowers

Australia(Commonwealth of) 11⅜% Ln Stk 2015(Reg) - £138½ (4Fe94)
Bank of Greece 10¼% Ln Stk 2010(Reg) - £117
Barbados (Government of) 13½% Ln Stk 2015(Reg) - £130 (7Fe94)
Credit Foncier De France 14¾% Gtd Ln Stk 2007(Reg) - £163.825 ⅞ (7Fe94)
Denmark(Kingdom of) 13% Ln Stk 2005 - £144½ (9Fe94)
Electricite de France 11¼% Gtd Ser Ln Stk 2009/12(Reg) - £144 (4Fe94)

...

Wyevale Garden Centres PLC 8.5% (Net) Cnv Cum Red Prf £1 - 193 (7Fe94)
Xerox Corp Com Stk $1 - $95ɸ
York Waterworks PLC Ord 10p - 342 57 (4Fe94)
York Waterworks PLC Warrants to sub for Ord - 212ɸ
Yorkshire-Tyne Tees TV Hldgs PLC Wts to sub for Ord - 130 1‡ 2 3 5 7 9‡ 40 40‡ 2 5 6 ½‡ 7 50 1‡
Young & Co's Brewery PLC 9% Cum Prf £1 - 115 (7Fe94)
Young & Co's Brewery PLC 3½% Irrd Mtg Deb Stk - £42 (4Fe94)
Zambia Consolidated Copper Mines Ld"B" Ord K10 - 250 (9Fe94)

Investment Trusts

Alliance Trust PLC 5% Prf Stk - £61½
Baillie Gifford Japan Trust PLC Wts to Sub Ord Shs - 245
Baillie Gifford Shin Nippon PLC Warrants to sub for Ord - 130 (9Fe94)
Bankers Investment Trust PLC 10½% Deb Stk 2016 - £129½
Baring Tribune Investment Trust PLC9⅛% Deb Stk 2012 - £115½ (7Fe94)
British Assets Trust PLC 4½% Prf Stk(Cum) - £55
British Assets Trust PLC "A" 5% Prf Stk(Cum) - £60 (7Fe94)
British Assets Trust PLC Equities Index ULS 2005 10p - 172 (9Fe94)

...

Brockbank Group PLC Ord 10p - £1½ (9Fe94)
Calihaven PLC Ord 5p - £0.22 (4Fe94)
Cooper Clarke Group PLC Ord 50p - 80 (4Fe94)
Country Gardens PLC Ord 25p - £0.575 (9Fe94)
Dawson Hldgs PLC Ord 10p - £4.9525 5.02
Dixon Motors PLC Red Prf 194p - £1.4 (7Fe94)
Douglas Gas PLC Ord 25p - £0.85 0.85 (8Fe94)
Elliot (B.) PLC 7.5% (Net) Cnv Cum Red Prf £1 - £1.26
Enlighted Tobacco Co PLC Ord 10p - £1½ (4Fe94)
Exchem PLC Ord 50p - £2.7 (7Fe94)
Faxcast Broadcast Corporation PLC Ord 5p - £0.51‡
Gander Holdings PLC Ord 1p - £0.08
Grampian Television PLC Ord 10p - £3½
Guernsey Gas Light Co Ld Ord 10p - £0.68
Guernsey Press Co Ld Ord 10p - £1.8
Harborne Tenants Ld Ord £1 - £1.3 1.315 (4Fe94)
I E S Group PLC Ord 10p(Fly-Pd 1/8/94)with Wts - £4.28 4.3
ITS Group PLC Ord £1 - £3.6
INVESCO MIM International Ld Japan Income & Growth - £2.115
Jennings Bros Ld Ord 25p - £2.05
Kleinwort Benson(Int) Fund Man Int Equity ...

...

Reflex Group PLC Ord Ir£0.05 - I£0.62 (9Fe94)
Total Systems PLC Ord 5p - 35 7 8
United Energy PLC Wts to sub for Ord - 4

Rule 535(2)

Ackrill Carr PLC Ord 5p - £0.14 (9Fe94)
Adnams & Co PLC "B" Ord £1 - £24½ (9Fe94)
Ann Street Brewery Co Ld Ord £1 - £3½
Ann Street Brewery Co Ld Cnv Red 2nd Prf £1 - £8¾ (4Fe94)
Amos Village Ld Ord 10p - £0.29ɸ
Arsenal Football Club PLC Ord £1 - £310 (8Fe94)
Aston Villa Football Club PLC Ord £5 (15 Votes) - £250 (7Fe94)
Barclays Investment Fund(C.I.) Sterling Bd Fd - £0.4904 (7Fe94)
Biocure Holdings PLC Ord 1p - £0.55 (4Fe94)
Brancote Holdings PLC Ord 5p - £0.35 (7Fe94)

...

Forest Laboratories £32⅞ɸ (7.2)
General Securities Inv. S$2.8768 (9.2)
Haoma North West 10½ (8.2)
Harland (John H.) Co. $23⅝ɸ (7.2)
Hunter Resources A$0.675
Kulim Malaysia 93 (4.2)
Malayan Cement RM4.9585 (4.2)
Murray & Roberts Hldgs. S$2.60,5.00
Niugini Mining 273 (7.2)
Oil Search A$1.002
Place Resources 105
Regal Hotels HK$2.215654ɸ2.408283ɸ (8.2)
Rutgerswerke DM385.48 (8.2)
Sapphire Mines 4½ɸ4⅝ (8.2)
Selangor Coconuts 115ɸ (4.2)
Selangor Properties S$1.6981 (7.2)
Terrex Resources A$0.08928ɸ (8.2)
Walhalla Mining 10,A$0.169

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FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LONDON STOCK EXCHANGE

MARKET REPORT

Futures sell-off leaves FT-SE 100 below 3,400

By Steve Thompson

The UK equity market was hit by another bout of semi-panic yesterday amid fears of renewed weakness across global bond markets. However, London picked up towards the close of business as Wall Street opened on a steady note and US bonds responded to encouraging inflation news. However, the FT-SE future remained under heavy pressure all day, and traded consistently at a discount to the cash market during the session.

The FT-SE 100 index ended the last session of the two-week trading account a net 28.1 lower at 3,378.9, a fall of 96.5, or 2.8 per cent on the week. The FT-SE Mid 250 index retreated 38.9 to 4,030.0, also down 2.8 per cent on the week.

The bond/gilt market worries and at least two bearish views of the market from leading brokerages triggered a substantial early slide by the UK equity market. Lehman Brothers' US market strategist was said to have been instrumental in prompting a bout of weakness on Wall Street, after predicting that the Dow Jones Average could retreat by between four to seven per cent.

The market was also hit by stories that Mr Nick Knight, the controversial but highly successful strategist at Nomura, the Japanese stockbroker, had predicted a steep fall in the UK market as part of a global market slide.

Mr Knight said he expected a sharp correction in international markets, possibly as soon as next week, led by Hong Kong and Continental Europe. "The Fed has provided a seismic shock to markets and you have to be concerned that world markets are about to hit an air pocket; it could be very nasty short-term," he said. Mr Knight added that the UK chancellor of the exchequer, Mr Kenneth Clarke, should have cut rates by a half percentage point or held them. "He's generated uncertainty," said the Nomura analyst.

Whilst maintaining his year-end FT-SE 100 forecast at 4,000, Mr Knight, one of the UK market's biggest bulls in recent months, said the 100 index could fall to 3,200 in the interim period.

Another bear story was put forward by Strauss Turnbull, the French-owned stockbroker, whose market strategist, Mr Ian Harnett, pointed out to clients that the valuation of equities compared with index-linked gilts had risen to their highest level since mid-1992. Mr Harnett said that on the three occasions this had happened during the 1990's the FT-SE 100 index had fallen by between 250 to 400 points.

The FT-SE 100 opened below 3,400 – more than 24 points down following Wall Street's overnight retreat – and continued to lose ground, led by the FT-SE future, to reach a day's low point of 3,349.3 just ahead of Wall Street's opening. With Wall Street coming in easier, but better than expected, after the producer and retail prices data, and US bonds behaving well, the FT-SE embarked on a determined rally which saw it claw back around half of the day's biggest loss.

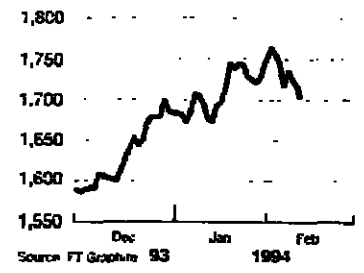
Turnover was a hefty 1,001.4m shares, with non FT-SE 100 issues accounting for 65 per cent of the day's trading. The value of customer business on Thursday dipped below £2bn to £1.974bn.

Marketmakers remained nervous but not overly perturbed by the day's events. "At these levels the market is comfortable, certainly not in disarray," said one dealer. Others remain concerned about New York. One said: "You don't see Wall Street plunge almost 100 points without some serious worries."

Account Dealing Dates			
*First Dealings:	Jan 31	Feb 14	Feb 28
Option Declarations:	Feb 10	Feb 24	Mar 10
Last Dealings:	Feb 11	Feb 25	Mar 11
Account Day:	Feb 21	Mar 7	Mar 21

*New time dealings may take place from two business days earlier.

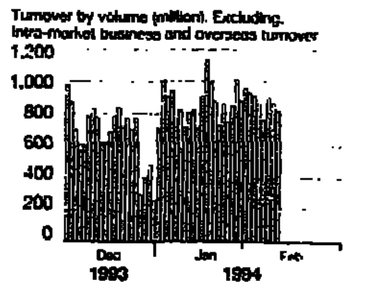
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key indicators

Indices and ratios		
FT-SE Mid 250	4030.0	-38.9
FT-SE-A 350	1711.4	-14.8
FT-SE-A All-Share	1701.53	-14.44
FT-SE-A All-Share yield	3.32	(3.30)
FT Ordinary index	2595.3	-24.1
FT-SE-A Non Financial p/e	22.52	(22.36)
FT-SE 100 Fut Mar	3371.0	-28.5
10 yr Gilt yield	6.57	(6.58)
Long gilt/equity yld ratio:	2.12	(2.13)

FT-SE 100 Index	
Closing index for Feb 11	3378.9
Change over week	-61.3
Feb 10	3407.0
Feb 9	3429.1
Feb 8	3440.2
Feb 7	3419.1
High*	3471.7
Low*	3349.3

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	8,700	68½	+½	Lonrho	5,500	168	-4½
Abbey National†	6,700	516	+16	Lucas	1,600	220½	-2½
Albert Fisher	329	67		MEPC†	2,800	512	-10
Allied-Lyons†	1,600	619	+2	MFI	1,800	179	-1
Anglian Water†	1,200	535	-14	Manweb	535	780	-16
Argos	221	368	-7	Marks & Spencer†	4,800	423	-4
Argyll Group†	3,400	257	+1	Midlands Elect.	1,200	691	-11
Arjo Wiggins†	1,100	294	-2	Morrison (Wm.)	882	107	-2½
Assoc. Brit. Foods†	93	567	-12	NFC†	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

EQUITY FUTURES AND OPTIONS TRADING

The Footsie futures contract for March delivery moved to a sharp discount to the underlying stock market at the start of trading yesterday and pulled the stock market lower on unusually high turnover.

Traders looked for ways to shorten their positions at the end of the trading account and ahead of key wholesale prices data from the US which were expected to reflect a pick up in inflation. The March contract traded at a persistent discount of between 12 to 14 points to the market compared with a fair value estimate of parity.

However, the PPI figures from the US were far less disappointing than anticipated and futures recovered to close at 3,371 on turnover of 27,715 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3385.0	3371.0	-28.5	3391.0	3338.0	30119	62147
Jun	3380.5	3385.5	-28.5	3395.0	3360.5	249	11941
Sep	-	3405.0	-28.5	-	-	0	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4070.0	4048.5	-21.5	4075.0	4040.0	786	2,386
Jun	-	4068.5	-	-	-	-	-

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3377) £10 per full index point

	3200		3250		3300		3350		3400		3450		3500		3550	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Feb	[illegible]															
Mar	[illegible]															
Apr	[illegible]															
May	[illegible]															
Jun†	[illegible]															

Calls 15,475 Puts 24,029

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday February 11 1994

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

	Feb 11	Day's chge%	Feb 10	Feb 9	Feb 8	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return	1993/94 High		Low		Since compilation High		Low	
10–69 [sector rows]	[illegible]																		
70 FINANCIALS(105)	2618.11	-0.4	2630.06	2638.85	2663.35	1819.10	3.13	3.66	46.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks(10)	3421.20	—	3421.96	3435.20	3468.31	2268.30	2.86	3.84	38.78	0.08	998.10	3601.55	4/2/94	2048.40	13/1/93	3601.55	4/2/94	850.60	23/1/86
73 Insurance(18)	1481.52	-0.4	1488.18	1492.42	1509.16	1298.20	4.48	‡	‡	0.09	976.14	1593.51	24/1/94	1281.50	19/1/93	1624.20	29/12/88	870.98	25/8/92
74 Life Assurance(6)	2681.23	-0.8	2703.84	2705.94	2758.26	2340.50	4.35	4.54	27.74	0.00	985.05	2921.37	19/1/94	2191.50	13/1/93	2921.37	19/1/94	967.70	23/1/86
75 Merchant Banks(6)	3610.18	-2.0	3684.74	3710.28	3730.04	2103.80	2.46	6.05	20.25	0.00	1057.83	3761.29	2/2/94	1884.18	1/1/93	3761.29	2/2/94	982.88	27/1/86
77 Other Financial(25)	2223.99	-1.1	2249.24	2246.94	2244.27	1310.80	2.80	4.86	25.90	5.00	1157.43	2279.35	4/2/94	1188.80	13/1/93	2279.35	4/2/94	858.30	1/10/90
79 Property(40)	1846.48	-1.0	1864.56	1871.74	1879.84	1083.60	3.34	3.01	44.15	1.76	1029.90	1888.98	4/2/94	888.98	5/1/93	2132.40	5/9/89	718.40	16/9/92
80 INVESTMENT TRUSTS(116)	3023.82	-1.1	x3056.07	3091.83	3114.21	2231.80	2.10	1.69	59.11	5.33	1000.37	3184.31	2/2/94	2041.39	11/1/93	3184.31	2/2/94	977.20	14/1/86
89 FT-SE-A ALL-SHARE(855)	1701.53	-0.8	1715.97	1726.82	1733.58	1384.19	3.32	4.92	25.21	1.89	1300.52	1764.11	2/2/94	1330.19	19/1/93	1764.11	2/2/94	61.92	13/12/74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3382.6	3371.7	3380.0	3365.1	3356.4	3349.8	3349.9	3368.0	3377.5	3388.3	3349.3
FT-SE Mid 250	4050.0	4035.5	4029.1	4021.3	4019.8	4015.6	4015.9	4021.5	4029.6	4050.0	4015.0
FT-SE-A 350	1714.9	1709.2	1711.8	1705.2	1701.7	1698.7	1698.8	1706.4	1710.9	1716.9	1698.5

Time of FT-SE 100 High: 8:40am Low: 1:56pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1481.0	1479.3	1478.2	1471.0	1465.1	1462.8	1462.9	1467.5	1471.8	1471.8	1490.1	-18.5
Pharmaceuticls	2993.0	2986.2	2995.2	2988.3	2979.4	2978.2	2972.4	2978.6	2995.6	3008.4	3049.9	-41.5
Water	2001.0	1977.3	1973.2	1987.5	1997.4	1998.7	1983.1	1982.1	1977.1	1977.4	2011.8	-34.4
Banks	3452.8	3449.3	3461.0	3439.4	3430.3	3405.7	3412.8	3442.9	3453.4	3463.7	3464.4	-0.7

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Water	29/12/89	1969.45	UK Gilts Indices	31/12/75	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap ex Inv Trts	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	999.85	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGE: DELETION; Central IndependentTV (43).

Regulator move lifts generators

Relief lifted the two English power generators above the sliding market trend following the decision by Offer, the industry regulator, not to refer the companies to the Monopolies and Mergers Commission. PowerGen shares surged 16 to 541p with 7.8m traded, while National Power put on 14½ to 475½p with turnover hitting a hefty 21m.

The market was almost unanimous in its view that the two companies – which had faced a potentially damaging MMC referral over pool pricing – had come out of the situation well. Analysts said that even the divestments of power stations demanded by the regulator could easily be met from the companies' spare capacity. The pool price cap was also seen as undemanding.

With regulatory worries now removed, the shares are forecast to make further gains. Hoare Govett sees a 10 per cent upside in the near term, and further strengthening should the government decide to sell its remaining 40 per cent holdings. Analysts said strong dividend growth over the next three years would also underpin support.

The regional electricity companies (Recs) continued weak as investors shied away in response to the view from some in the market that the shares were overbought.

There was also talk that one US house had a large seller, prompted by the improving US bond market. Eastern, which retreated 6 to 678p, announced after the market had closed that it had bought a further 750,000 of its shares at prices ranging from 676p to 678p.

Lloyds steady

Initially encouraging figures from Lloyds Bank were clouded by realisation that an adjustment for third world debt had boosted 1993 profits by £193m.

Lloyds shares jumped 12 initially as investors responded to news of profits up 29 per cent to £1.03bn and a 20 per cent dividend hike. However, closer consideration of the results statement showed that they had been distorted by receipt of bonds from Argentina in exchange for loans and past due interest.

Cazenove led the selling and the stock ticked back to close only 2 better at 617p. Turnover was 15m.

Lloyds is the first of Britain's banks with a December year end to announce 1993 results. The others will report over the next four weeks.

Other banks responded better to the Lloyds figures. Mr Robert Law at Lehman Brothers pointed out that strongly capitalised banks such as Abbey National would pay good dividends. The shares rose 16 to 516p with the market also focusing on Abbey's exposure to the high-margin mortgage market. Barclays rose 3¼ to 584p and NatWest lifted 8 to 554p.

British Aerospace followers spent the day chasing speculation that Mr Bob Bauman, currently chief executive of SmithKline Beecham, would replace Mr John Cahill as chairman. Confirmation of his appointment came after the market had closed.

BAe shares closed down 6 at 543p, but analysts were pleased with the prospect. "To find a chairman in a hurry is difficult: to find someone of Bob Bauman's stature would be a good move," said one. Mr Zafar Khan at Strauss Turnbull said: "An outsider in a non-executive capacity will be well-received." SmithKline shares slipped 6½ to 409p.

GKN fell 3 to 557p as its £496m bid for helicopter manufacturer Westland was damaged by an increase in Westland's share capital due to the exercise of rights on preference shares. The combined holding of GKN and United Technologies (which has agreed to sell its Westland stake to GKN) only dropped from around 47 per cent to around 45 per cent, but Mr Martin Roscoe at Charterhouse Tilney commented: "That's a big fall when you're trying to reach 50 per cent and the market's against you." Suggestions that GKN would raise its offer were not well received, with the GKN bid described as "lacking conviction". Westland closed down 3 at 334p.

Other engineering stocks hit by the downturn included Vickers, off 6 at 180p, and IMI, down 8 to 349p, whose sell-off of Brook Street Computers was not well received.

Tomkins rose 5 to 263p on buying from Salomon Brothers, which has included the stock in a basket of call warrants focused on companies exposed to US growth.

TI Group continued its gentle slide, down 3 to 407p, following problems with aircraft landing gear manufactured by its subsidiary Dowty.

The £103m property sale by Ladbroke, which will help ease the company's debt burden, helped the shares stay in positive territory, closing a penny forward at 205p. Burford Holdings is to make a rights issue to pay for the purchase. Its shares slid a penny to 121p.

A big buyer of Forte, said to be through NatWest Securities, helped the shares gain 4 to 257p, with turnover reaching 9.5m. Alpha Airports, the recently floated catering group in which Forte retains a quarter share, remained in demand and the shares gained a penny to 173p on 6.9m traded.

Merchant bank Singer & Friedlander gained 5 to 110p after an article in a specialist magazine tipped the stock.

Internationally traded conglomerate Hanson fell 10 to 289½p as Goldman Sachs removed the company from its European 'top priority' list. It also shaved its 1994 forecast for earnings per share by a penny to 16.3p after exceptionals, and cut its profit forecast by 50m to £1.15bn. However, the broker said it was still positive on the shares.

Glaxo Holdings, hurt during the week by worries about its best-selling ulcer drug, Zantac, fell a further 12 to 639p. However the market expects encouraging profits and dividend when half-year results are published on Thursday. Analysts say a big currency gain, should help the pharmaceuticals group to report a rise of around 15 per cent in profits to between £910m to £980m.

Shares in ICI fell 17 to 787p after light selling in New York on Thursday.

In a surprisingly sturdy food retail sector, Argyll Group added a penny to 257p, with UBS suggesting that the shares may be looking oversold ahead of next week's trading statement.

Elsewhere, Asda edged forward a half-penny to 58½p, with J Sainsbury gaining a penny to 361p and Tesco steady at 225p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Clare Gascoigne.

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (74).

OTHER FIXED INTEREST (1) Asian Devlpt. 10 1/4pc '09, BANKS (2) ANZ, Bank Leumi (UK), BREWERIES (2) Grosvenor Inns, Regent Inns, BUILDING & CNSTRN (1) Ashtead, BLDG MATLS & MCHTS (6) Beresford Intl, Grafton, Ibstock Johnsen Wrnts., Kingspan, Lilleshall 9pc Prf., Rouspur, CHEMICALS (2) Allied Colloids, Laporte, DISTRIBUTORS (6) Adam & Harvey, Brit. Fittings, Dagenham Motors, Denmans Elect., EW Fact, Quicks, DIVERSIFIED INDLS (2) Amer Grp A, Brierley Invs., ELECTRNC & ELECT EQUIP (3) Astec (BSR), Danka Bus. Sys., Gestetner, ENGINEERING (4) Cohen (A), McKechnie, Metalrax, Richardson Westgarth, EXTRACTIVE INDS (2) Dragon Mining, Gencor, FOOD MANUF (1) Golden Vale, HOUSEHOLD GOODS (1) Gaskell, INVESTMENT TRUSTS (9) Baring Secs. Emrg. Mkts., English Natl. Defd., Greyfriars Inv., INVESTMENT COMPANIES (6) Baring Chrysalis Fund Wrts., Fidelity Japan OTC Wrts., Jakarta Fund, Rolinco Sub., Spanish Smaller Co's, Do Wrts., LEISURE & HOTELS (2) Baldwin, Savoy, MEDIA (6) Abbott Mead Vickers, Hodder Headline, Telegraph, Ulster TV, Yorkshire Tyne-Tees TV, Do Wrts., MERCHANT BANKS (1) Singer & Friedlander, OIL EXPLORATION & PROD (1) Monument Oil, OIL, INTEGRATED (1) Santos, OTHER FINANCIAL (5) Camellia, Carlisle, Christie, Investment Co., Tyndall Australia Options, OTHER SERVS & BUSNS (2) Atwoods, Cape Range, PRTNG, PAPER & PACKG (2) Brit. Polythene 7 1/2pc Prf., Ferry Pickering, PROPERTY (5) Burford, Chesterfield, Hammerson, London & Assoc Inv., McInerney, TEXTILES & APPAREL (1) Abbeycrest, TRANSPORT (2) Goode Durrant, TNT, WATER (1) Bristol Water, AMERICANS (2) Eaton Corpn., Rockwell Intl.

NEW LOWS (6).

BUILDING & CNSTRN (1) Barcom, BLDG MATLS & MCHTS (2) Atreus, Needler, INVESTMENT TRUSTS (1) Murray Entr. Wrts., SUPPORT SERVS (1) Novo, TEXTILES & APPAREL (1) Martin Intl.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Abbey National	516	+	16
Baldwin	130	+	22
Bank Leumi (UK)	395	+	20
EW Fact	151	+	10
National Power	475½	+	14½
PowerGen	541	+	16
Singer Friedlander	110	+	5
Sleepy Kids	90	+	5
Falls			
Bass	519	-	13
Capital Radio	415	-	10
Cupid	21	-	2
Grand Met	438	-	14
Johnson Fry	384	-	23
Needler	41	-	5
Proteus	330	-	19
Telemetrix	144	-	19
Virtuality	328	-	24

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for trading on 12.02.94 Pool purchase price £/MWh	Final Prices for Trading at 13.01.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.20	18.09	18.09
0100	23.33	30.14	31.81
0130	29.50	36.00	37.67
0200	29.50	36.00	37.67
0230	23.33	30.14	31.81
0300	20.01	26.40	28.08
0330	54.55	26.13	27.80
0400	19.84	26.40	28.08
0430	20.01	22.60	24.28
0500	19.30	21.04	22.72
0530	17.20	20.82	22.50
0600	17.20	20.82	22.50
0630	17.22	20.82	22.50
0700	17.22	20.82	22.50
0730	17.22	20.82	22.50
0800	17.32	20.82	22.50
0830	17.22	20.82	22.50
0900	19.96	25.43	27.10
0930	20.98	25.43	27.10
1000	36.36	25.43	27.10
1030	36.36	38.67	40.34
1100	36.36	38.67	40.34
1130	36.36	38.67	40.34
1200	58.12	38.67	40.34
1230	58.12	25.43	27.10
1300	20.87	24.64	26.31
1330	20.87	24.64	26.31
1400	17.23	24.54	26.21
1430	17.20	22.99	24.66
1500	17.15	22.99	24.66
1530	16.74	22.99	24.66
1600	16.74	22.99	24.66
1630	17.34	22.99	24.66
1700	17.22	27.23	28.91
1730	21.08	34.99	36.66
1800	37.86	34.99	36.66
1830	37.86	34.99	36.66
1900	37.86	30.82	32.49
1930	31.55	27.23	28.91
2000	26.85	27.23	28.91
2030	21.08	24.70	26.38
2100	20.36	24.63	26.31
2130	20.25	21.90	23.58
2200	17.22	21.90	23.58
2230	17.10	18.01	18.01
2300	16.74	17.96	17.96
2330	16.70	17.96	17.96
2400	16.74	17.96	17.96

Prices are determined for every half hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants, SP10 1RE 0264 345794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	231.41	231.41	246.18	-1.31	-
Do Accum	6	254.89	254.89	271.16	-1.44	-
TSB Brit Growth	6	99.31	99.31	105.64	-2.51	1.57
Do Accum	6	117.80	117.80	125.19	-2.97	1.57
TSB European	6	112.81	112.81	120.02	-1.66	0.14
Do Accum	6	119.90	119.90	127.55	-1.77	0.14
TSB Extra Income	6	217.26	220.41	234.49	-3.85	3.40
Do Accum	6	355.22	360.37	383.37	-6.45	3.40
TSB Smaller Cos	6	80.52	82.64	87.92	-0.81	0.63
Do Accum	6	89.91	91.88	97.74	-0.57	0.63
TSB General	6	302.89	307.39	327.01	-7.67	1.98
Do Accum	6	609.77	618.24	658.77	-15.44	1.98
TSB Premier Income	5	55.44	56.45	58.89	-0.20	5.64
Do Accum	5	120.30	122.49	127.58	-0.43	5.64
TSB Income	6	373.59	378.38	400.68	-7.35	3.01
Do Accum	6	791.19	803.45	854.75	-15.66	3.01
TSB Pacific	6	467.47	467.47	497.31	-8.70	-
Do Accum	6	491.19	491.19	522.54	-3.90	-
TSB International	5	585.20	585.20	622.84	-5.34	0.07
Do Accum	6	768.15	768.15	817.18	-7.00	0.07
TSB Nat Resources	6	180.25	180.95	191.67	-2.55	0.01
Do Accum	6	197.94	197.94	210.58	-2.80	0.01
TSB Gold Opps	6	118.55	120.63	128.33	-2.04	0.81
Do Accum	6	149.58	152.22	161.93	-2.58	0.81
Environmental Inv	6	67.38	67.38	71.68	-1.78	1.38
Do Accum	6	73.08	73.08	77.72	-1.91	1.38
TSB Selector	6	68.83	69.56	74.42	-1.13	1.90
Do Accum	6	76.49	77.74	82.71	-1.25	1.90
TSB High Income	6	70.30	71.14	75.68	-1.28	4.11
Do Accum	6	85.55	86.56	92.08	-1.57	4.11
TSB Intl Income	6	63.53	63.98	68.07	-0.35	4.44
Do Accum	6	74.92	75.45	80.28	-0.39	4.44
TSB Selector Income	6	66.95	67.88	72.08	-0.69	4.61
Do Accum	6	76.08	76.90	81.81	-1.02	4.61

T.U. Fund Managers Limited (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
T.U. British	5	357.0	362.6	381.8	-	2.42
T.U. European		54.18	54.48	57.04	-	2.00

Templeton Unit Trust Managers Ltd (1200)F
20 Castle Terrace, Edinburgh EH1 2EH 031-469 4000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Global Growth Acc	6	233.78	234.14	250.41	-2.90	1.45
Global Growth Inc	6	212.04	212.37	227.13	-2.63	1.45
Global Balanced Acc	6	207.41	207.59	222.03	-2.07	2.49
Global Balanced Inc	6	181.16	181.32	193.93	-1.81	2.49
Value Tst Acc	6	138.71	139.18	148.86	-1.89	1.32
Value Tst Inc	6	127.16	127.60	136.47	-1.87	1.32

Thornton Unit Managers Ltd (1200)F
33 Cheapside Street, London EC4R 1AX 071-246 3000
Dealing 071-246 3001

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	976.8	1028.2	-18.9	-
Higher Income Ser 5	1056.7	1112.3	-15.7	-
Property Ser 5	525.2	552.8	-	-
Fixed Interest Ser 5	422.0	444.2	-9.0	-
Index Linkd Secs Ser 5	186.8	196.6	+0.1	-
Gtd Deposit Ser 5	289.2	304.4	-	-
Nth America Ser 5	439.5	462.6	-0.8	-
Far East Ser 5	602.5	634.2	+0.3	-
Europe Ser 5	368.9	388.3	-3.3	-
International Ser 5	576.0	607.1	-3.1	-
Balanced Ser 5	709.7	747.0	-8.0	-
Reserve Ser 5	149.0	156.8	-0.1	-
Opportunity Ser 5	164.2	172.8	-1.2	-
Distribution Ser 5	108.4	114.1	-0.8	-
Pens Equity Ser 3 (z)	1403.2	1477.0	-2.3	-
Pens Higher Inc S 3 (z)	338.9	356.7	-1.9	-
Pens Fixed Int S 3 (z)	568.0	598.8	+0.9	-
Pens Index-Linked Sec S 3 (z)	242.5	255.2	+0.4	-
Pens Property S 3 (z)	489.1	514.8	-	-
Pens N America S 3 (z)	194.0	204.2	+1.9	-
Pens Far East S 3 (z)	350.8	369.2	-0.8	-
Pens Europe S 3 (z)	211.2	222.3	+0.8	-
Pens Overseas S 3 (z)	879.2	925.4	+2.0	-
Pens Balanced S 3 (z)	832.0	875.7	+1.3	-
Pens Cash S 3 (z)	420.8	442.9	-	-
Pens DAF Series 3(z)	235.4	247.7	-	-
Pens DAF Series 1(z)	466.8	491.4	-	-
Pens Opportunity S 3 (z)	179.9	189.3	+0.3	-
Pens Reserve S 3 (z)	172.6	181.6	+0.1	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	273.3	287.7	-	-
Equity Ser. 1	180.8	190.4	-6.00	-
Prop. Acc. Ser 2	499.0	525.3	-	-
Equity Ser 2	234.7	247.1	-3.80	-
Selective Acc. Ser 2	494.8	520.0	-2.30	-
Prop. Ser. 4	389.7	409.2	-	-
Equity Ser. 4	222.3	234.1	-2.90	-
Man. Ser. 4	698.5	735.3	-4.90	-
Fixed Int. Ser. 4	356.9	375.7	-0.40	-
Indexed Inv. Ser. 4	217.7	229.2	+0.20	0

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Royal Liver Assurance

S-E-Bankers Life Assurance Co Ltd

Save & Prosper Group (z)

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

EBC Fund Managers (Jersey) Ltd

EBC Traded Currency Fund Ltd*

	Bid Price	Offer Price	+ or -	Yield Gross
Income	$14.40	14.842	—	
Capital	$22.68	23.381	—	1.28

*Offer price includes 3% prelim. charge

International Income Fund*

	Bid Price	Offer Price	+ or -	Yield Gross
Eurobd Long Term–US$	$32.68	34.1238	-0.031	4.95
Eurobd Long Term –DM	DM[illegible]	110.3103	-0.1242	1.63

* Offer Price includes 3½% Initial Charge

Fleming Group

Robert Fleming Management (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Czech & Slovak NAV Jan 31	$12.15		—	–
Deutschland NAV Jan 31	DM17.05		—	–

Foreign & Colonial Mngmt (Jersey) Ltd

Hypo Foreign & Colonial Reserve Asset Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
US$ Cash	$11.284		+0.004	–
Sterling Cash	£13.372		+0.002	–
US$ Bonds	$17.009		+0.005	–
Multicurrency Bonds	$22.576		-0.020	–
Sterling Bonds	£17.448		-0.043	–
D Mark Bonds	DM12.878		-0.015	–
European Bonds	Ecu14.889		-0.013	–
UK Equities	£14.115		-0.133	–
US Equities	$18.726		-0.134	–
Japanese Equities	Y887.8			–
Conti Euro Equities	DM21.161		-0.156	–
UK Negative Equities	£10.496		+0.002	–
US Negative Eq	$10.076		+0.075	–
Japanese Negative Eq	Y800.1		+0.2	–
Conti Eur Negative Eqs				–
UK Geared Equities	£10.811		-0.021	–
US Geared Equities	$11.112		-0.185	–
Japanese Geared Eqs	Y1045.9		-0.1	–
Conti Euro Geared Eqs	DM16.081		-0.257	–
Gold	$11.089		-0.040	–
Protected Capital Plus A	£11.422		-0.011	–
Protected Capital Plus B	£11.312		-0.063	–

Greece Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Feb 3	$24.68		—	–

John Govett Management (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Enore Sterling Fd NAV Feb 8	$24.4965		—	–
Paragon Fd NAV Dec 31	$10.45		—	–
Paragon Redemption	$10.12		—	–
Hungarian Inv Co Dec 31	$95.49		—	–
Dollar Global Managed Hedge	$11.5826	12.37	—	–
Dir Geared Cur NAV Feb 11	$13.3		—	–
Dlr Geared Bd Feb 11	$7.58		—	–
Govett India Fund	$12.38	12.78	—	–
Inv Intl–Protected Inv Pfolio	£10.5[illegible]	11.1820	—	–
Sterling Balanced Hedge	£10.5833	11.15	—	–
Swiss Franc Balanced Hedge	SFr10.4867	11.17	—	–

Comgest SA

56 rue de Londres, 75008 Paris 010 331 4470 7510

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Comgest Europe SICAV			SFr– 1289.01		—	–

Commercial Union Luxembourg SA (u)

41 Ave de la Gare L–1611 010 352 402020261

Commercial Union Privilege Portfolio

Equity Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
Monthly Income	£– 1.2186xd	1.2941	—	7.05
Private Client Mgd	£– 1.4569	1.5490	-0.07	–
Far Eastern Gwth	$– 3.0515	3.2468		–
American Gwth	$– 2.4127	2.5667	-0.02	–
European Gwth	Ecu– 2.4641	2.6214	-0.04	–
Japanese Gwth	Y– 148	157		–
UK Growth	£– 1.3345	1.4197	-0.03	–
Italian Gwth	L– 1959	2083	-4.00	–
Spanish Gwth	Pta– 219	233	-6.00	–
Dutch Gwth	Dfl– 6.8798	7.3177	-0.10	–
Belgian Gwth	BFr– 116	123	-1.00	–
French Gwth	FFr– 11.0194	11.7[illegible]	-0.23	–
German Growth	DM– 2.5866	2.7517	-0.03	–
Green	$– 1.7118	1.8209	-0.01	–
Gold Shares	$– 1.2691	1.3501	-0.02	–
Emerging Currencies	$– 2.4086	2.5623	—	–

Reserve Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
Dollar Reserve Acc	$– 10.7540	[illegible]	—	1.42
Dollar Reserve Div	$– 9.9807xd	[illegible]	—	1.42
Yen Reserve Acc	Y– 1051	1092	—	1.86
Yen Reserve Div	Y– 991xd	1001	—	1.86
D'mark Reserve Acc	DM– 12.0947	[illegible]	—	5.16
D'mark Reserve Div	DM– 9.9525xd	[illegible]	—	5.16
Stg Reserve Acc	£– 1.3827	1.4088	—	4.52
Stg Reserve Div	£– 0.9548xd	1.0045	—	4.52

Bond Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
D'mark Bond Acc	DM– 56.4940	[illegible]	-0.05	5.18
Peseta Bond Acc	Pta– 320	329	—	8.27
Peseta Bond Div	Pta– 216xd	220	—	8.27
Sterling Bond Acc	£– 174.5439	[illegible]	-0.27	6.18
US $ Bond Acc	$– 140.7912	[illegible]	-1.57	5.88
Worldwide Bond Acc	SFr– 78.6344	[illegible]	-0.01	5.37

Cresvale Group (u)

11 Rue Aldringen, L–1118 Luxembourg 071–357 6400

	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Convertible (z)	$–	2.36	+0.01	–
Equity Warr (Japan) (z)	$–	1.93	-0.01	–
Hedge Fund	$–	21.30	—	–
Hedge Fund US$ II	$–	19.58	—	–
Hedge (Z)	£–	98.34	—	–

DB Investment Management SA

2 Boulevard Konrad Adenauer, Lux 010 352 421011

	Bid Price	Offer Price	+ or -	Yield Gr's
Eurorenta	DM– 88.01	91.58	—	–
Dollarrenta	$– 87.42	58.15	—	–
DM Reserve	DM– 160.23	161.83	—	–

[illegible]

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Feb11 / US$) (2.45 pm)

EUROPE

AUSTRIA (Feb11 / Sch)

BELGIUM/LUXEMBOURG (Feb11 / Frs.)

DENMARK (Feb11 / Kr)

FINLAND (Feb11 / Mks)

FRANCE (Feb11 / Frs.)

GERMANY (Feb11 / Dm.)

ITALY (Feb11 / Lire)

NETHERLANDS (Feb11 / Fls.)

NORWAY (Feb11 / Kroner)

SPAIN (Feb11 / Pts.)

SWEDEN (Feb11 / Kronor)

SWITZERLAND (Feb11 / Frs.)

CANADA (Feb11 / Can. $) (3 pm)

AFRICA

SOUTH AFRICA (Feb11 / Rand)

PACIFIC

JAPAN (Feb10 / Yen)

AUSTRALIA (Feb11 / Aust$)

HONG KONG (Feb9 / H.K.$)

MALAYSIA (Feb9 / MYR)

SINGAPORE (Feb9 / S$)

INDICES

	Feb 11	Feb 10	Feb 9	1993/4 High	1993/4 Low
Argentina					
General (29/12/77)	(u)	24220.3	25004.1	25083.60 9/2/94	12167.86 8/3/93
Australia					
All Ordinaries(1/1/80)	2241.4	2234.3	2270.9	2340.60 3/2/94	1495.00 13/1/93
All Mining(1/1/80)	1058.3	1068.1	1093.7	1138.10 3/2/94	584.70 13/1/93
Austria					
Credit Aktien(30/12/84)	450.39	456.41	455.44	480.68 2/2/94	300.26 14/1/93
Traded Index(2/1/91)	1181.84	1202.90	1198.95	1222.25 1/2/94	712.06 15/1/93
Belgium					
BEL20 (1/1/91)	1527.50	1535.60	1542.65	1542.65 9/2/94	1125.46 4/1/93
Brazil					
Bovespa (29/12/83)†	(u)	10009.0	9047.6	10009.00 10/2/94	71.47 4/1/93
Canada					
Metals Mnls♦(1975)	(u)	3720.86	3802.10	3824.93 1/2/94	2743.31 21/1/93
Composite♦ (1975)	(u)	4441.97	4463.17	4591.30 1/2/94	3275.80 21/1/93
Portfolio§§ (4/1/83)	(u)	2095.03	2109.51	2182.89 1/2/94	1720.97 21/1/93
Chile					
IPGA Gen (31/12/80)	(u)	4699.7	4791.8	4867.80 4/2/94	2812.59 10/5/93
Denmark					
CopenhagenSE(3/1/83)	404.58	407.14	406.53	415.79 2/2/94	281.90 4/1/93
Finland					
HEX General(28/12/90)	1901.2	1933.6	1945.2	1972.00 4/2/94	843.10 23/1/93
France					
SBF 250 (31/12/90)	1534.11	1549.43	1552.73	1585.20 2/2/94	1114.19 28/1/93
CAC 40(31/12/87)	2275.09	2298.77	2302.06	2355.93 2/2/94	1772.21 29/1/93
Germany					
FAZ Aktien(31/12/58)	812.20	817.08	808.01	858.67 4/1/94	588.82 14/1/93
Commerzbank(1/12/53)	2322.5	2339.8	2314.5	2458.00 4/1/94	1664.30 14/1/93
DAX (30/12/87)†	2090.61	2118.96	2085.29	2267.98 3/1/94	1516.50 13/1/93
Greece					
Athens SE(31/12/80)	1061.57	1068.33	1058.39	1194.58 18/1/94	667.72 5/1/93
Hong Kong					
Hang Seng(31/7/64)	(c)	(c)	11504.03	12201.09 4/1/94	5437.80 4/1/93
India					
BSE Sens.(1979)	3991.3	4039.9	4018.9	4162.00 8/2/94	2100.67 23/4/93
Indonesia					
Jakarta Comp (10/8/82)	586.62	583.47	580.65	612.89 5/1/94	273.31 5/1/93
Ireland					
ISEQ Overall(4/1/88)	1967.98	1992.51	2001.91	2082.18 20/1/94	1191.19 11/1/93
Italy					
Banca Comm Ital (1972)	680.71	679.83	680.12	680.71 11/2/94	440.33 6/1/93
MIB General (4/1/94)	1090.0	1087.0	1087.0	1090.00 11/2/94	944.00 10/1/94
Japan					
Nikkei 225 (16/5/49)	(c)	19890.70	19341.38	21148.11 13/9/93	16078.71 29/11/93
Nikkei 300 (1/10/82)	(c)	296.81	294.50	306.84 10/11/93	249.84 29/11/93
Topix (4/1/68)	(c)	1608.14	1596.02	1698.67 3/9/93	1250.06 25/1/93
2nd Section (4/1/68)	(c)	2150.97	2145.90	2384.97 7/6/93	1851.72 28/1/93
Malaysia					
KLSE Comp (4/4/86)	(c)	(c)	(c)	1314.46 5/1/94	614.98 13/1/93
Mexico					
IPC (Nov 1978)	(u)	2818.44	2858.63	2881.17 8/2/94	1504.15 25/2/93
Netherland					
CBS TtlRtnGen(End 83)	452.7	452.0	451.6	454.90 31/1/94	295.70 4/1/93
CBS All Shr (End 83)	293.4	293.0	292.7	294.80 31/1/94	198.60 13/1/93
New Zealand					
Cap. 40 (1/7/86)	2349.50	2363.88	2368.16	2439.64 3/2/94	1465.37 21/1/93
Norway					
Oslo SE(Ind)(2/1/83)	1167.09	1178.01	1188.18	1204.17 4/2/94	669.93 27/1/93
Philippines					
Manila Comp (2/1/85)	3040.90	3013.76	2995.33	3308.37 4/1/94	1270.68 4/1/93
Portugal					
BTA (1977)	3153.4	3156.6	3128.8	3156.60 10/2/94	1608.20 14/1/93
Singapore					
SES All-S'pore(2/4/75)	(c)	(c)	605.93	641.61 4/1/94	394.10 13/1/93
South Africa					
JSE Gold (28/9/78)	1817.0¶	1870.0	1877.0	2331.00 4/1/94	775.00 5/1/93
JSE Indl. (28/9/78)	5640.0¶	5700.0	5698.0	5822.00 4/2/94	4333.00 19/4/93
South Korea					
KoreaCmpEx(4/1/80)**	(c)	(c)	(c)	974.26 2/2/94	605.93 6/3/93
Spain					
Madrid SE (30/12/85)	347.98	351.30	353.40	358.31 31/1/94	215.60 4/1/93
Sweden					
AffarsvarldnGen (1/2/37)	1512.5	1533.5	1566.2	1603.80 31/1/94	879.10 28/1/93
Switzerland					
Swiss Bk Ind (31/12/58)	1345.27	1360.64	1371.87	1423.34 31/1/94	904.80 11/1/93
SBC General (1/4/87)	1033.04	1045.32	1054.64	1083.28 31/1/94	678.78 11/1/93
Taiwan					
WeightedPr(30/6/66)**	(c)	(c)	(c)	6454.52 6/1/94	3088.43 9/1/93
Thailand					
Bangkok SET (30/4/75)	1416.34	1410.53	1403.63	1753.73 4/1/94	818.84 1/6/93
Turkey					
Istanbul Cmp(Jan 1986)	13863.7	14087.8	15695.7	20883.60 13/1/94	3963.53 1/1/93
WORLD					
MS Capital Int (1/1/70)$	619.8*	621.4	623.8	641.00 1/2/94	488.60 13/1/93
CROSS-BORDER					
Eurotrack 100(26/10/90)	1487.36	1499.22	1504.89	1540.19 31/1/94	1063.02 13/1/93
Euro Top-100 (26/6/90)	1263.25	1275.78	1280.78	1311.01 2/2/94	982.73 13/1/93
JCapelDrgns (31/12/88)	(u)	362.98	363.21	395.19 5/1/94	188.92 4/1/93
Barings Emerg.(7/1/92)	182.71	181.58	182.63	182.71 11/2/94	98.81 4/2/93

** Sat Feb 5 Taiwan Weighted Price 6234.13 Korea Comp Ex 942.60. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index. Feb 11 - 2108.77 -10.82.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Feb	2288.0	2284.0	-19.0	2296.0	2262.0	29,798	19,793
Mar	2298.0	2295.5	-18.5	1307.0	2275.0	1,255	46,614
Jun	2237.0	2293.5	-18.5	2297.0	2288.0	38	2,451

Open interest figures for previous day

US INDICES

Dow Jones	Feb 10	Feb 9	Feb 8	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3895.34	3931.92	3906.03	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.79	104.92	104.83	108.77 (18/10/93)	103.48 (11/1/93)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1815.50	1834.70	1829.19	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	215.48	218.96	218.03	256.46 (31/8/93)	215.40 (10/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3953.59 (3956.97) Low 3882.96 (3887.74) (Theoretical♠)
Day's high 3938.40 (3936.99) Low 3894.21 (3904.35) (Actual♠)

Standard and Poors	Feb 10	Feb 9	Feb 8	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	468.93	472.77	471.06	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials	547.99	551.79	549.85	580.59 (2/2/94)	496.48 (26/4/93)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.30	44.69	44.38	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.04	262.90	261.96	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	479.13	480.59	477.66	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	783.42	786.53	782.70	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 4	Jan 28	Jan 21	Year ago
Dow Jones Ind. Div. Yield	2.62	2.57	2.59	3.01
	Feb 9	Feb 2	Jan 26	Year ago
S & P Ind. Div. yield	2.35	2.32	2.35	2.46
S & P Ind. P/E ratio	28.07	28.51	27.99	27.44

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	469.50	468.20	-1.25	469.96	468.10	66,842	162,181
Jun	-	470.65	-3.85	-	-	525	6,727
Sep	-	472.15	-3.85	-	-	3	909

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Columbia Hlth	7,974,700	40½	+2⅞
Gen Motors	7,661,800	62¾	-1⅝
WMS Tech	5,633,800	24⅛	-⅞
Ford Motor	4,598,200	66	-2½
Hanson	4,568,200	21⅛	-¼
Unisys	4,172,300	15	+¼
Chrysler	3,863,600	59¾	-1⅛
CML Group	3,553,000	19⅝	+1⅜
Merck	3,348,700	34⅞	---
Telefonos	3,188,100	73⅝	-1⅝

■ TRADING ACTIVITY

● Volume (million)	Feb 10	Feb 9	Feb 8
New York SE	325.755	332.597	311.965
Amex	21.551	22.632	17.580
NASDAQ	339.234	330.194	309.945
NYSE			
Issues Traded	2,729	2,727	2,727
Rises	810	1,277	1,167
Falls	1,306	844	951
Unchanged	610	606	609
New Highs	80	96	67
New Lows	54	48	39

† Official re-scaling. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Dow volatile, lower after PPI data

Wall Street

US blue-chip stocks showed moderate losses yesterday morning in a volatile session punctuated by a spurt of program sales, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 13.51 at 3,881.83. The more broadly based Standard & Poor's 500 was more resilient, edging 0.39 lower to 468.54. In the secondary markets, the American SE composite dropped 2.92 to 476.21, and the Nasdaq composite 3.98 to 779.44.

NYSE volume, at 164m shares, was light, as a driving snowstorm in the north-eastern states prevented many from reaching their offices. With activity so thin, the narrowly based Dow industrial index was vulnerable to sharp swings.

The first came in mid-morning. After a weak opening, share prices jumped 16 points in minutes as the US Treasury market began to extend its early gains. The rally in bonds was surprising in view of the day's mixed economic news. The Commerce Department said that January's producer price index had risen by only 0.2 per cent, less than forecasts of 0.3 per cent. But the core index, excluding food and energy prices, was a little higher than anticipated. Retail sales, meanwhile, showed a 0.5 per cent decline, but the data was distorted by last month's frigid weather.

Nevertheless, the benchmark 30-year government bond climbed ⅝ to 97⅞, with the yield easing to 6.404 per cent.

Near midday, equities struck an independent course from bonds after a drop in the stock-index futures market triggered program sales. Analysts linked the downturn to technical factors, rather than any fundamental economic news.

At one stage, the Dow industrials had shed more than 22 points, but the blue-chip index shifted direction once again in the early afternoon and share prices pulled off their session lows. By contrast, the broader indices held steady for most of the morning.

Automobile stocks again led the blue chips down. General Motors fell $1⅝ to $61, Ford $1¼ to $64⅝ and Chrysler $1 to $58⅝. Both GM and Ford posted strong earnings earlier in the week, but investors appeared disappointed that their expectations had not been surpassed.

In the healthcare sector, Columbia HCA topped the NYSE's most active list a day after shareholders of the two companies approved a merger. The stock was marked $1⅛ to $39 in volume of nearly 3.5m shares, after the companies, listed separately, posted big gains the previous session.

A rare bright spot on the Big Board was Tandy, which added $1⅞ to $46⅞. The electronics retailer said that it expected to report fourth-quarter earnings of $1.02, against $84 cents a year earlier.

Timberland, the outdoor apparel marketer, was out of favour when its fourth-quarter net income of 62 cents fell short of forecasts. The issue plunged $9¼ to $44¼.

Canada

Toronto was lower at midday as base metals and gold shares turned down in line with easier metals prices. The TSE 300 composite index dropped 47.07 or 1.1 per cent, to 4,394.90 in volume of 37.9m shares.

At mid-session, the gold and silver index was 289.86 or 2.8 per cent lower at 10,245.34.

SOUTH AFRICA

Election worries and gold price lethargy dominated another bearish day in Johannesburg, where the industrial index was 60 off at 5,640 as it suffered in late trade, the overall index was 68 weaker at 4,777 and the gold index ended 53 down at 1,817.

EUROPE

Bourses volatile, reflect US equity sentiment

Overnight weakness on Wall Street weighed on bourses for most of the day, and a modest early rally in the Dow yesterday on producer price inflation figures was petering out as late-closing bourses came to the finishing line, *writes Our Markets Staff.*

FRANKFURT, waiting for a resolution to the metal wage negotiations, saw the Dax index fall 28.35 to 2,090.61 on the session, 2.2 per cent down on the week, and recover to 2,108.77 in the post bourse.

Turnover fell from DM9.9bn to DM9.6bn.The day, like the week, was marked by weakness in banks and strength in the automotive sector, said Mr Eckhard Frahm at Merck Finck in Dusseldorf, BMW and Daimler recovering well in the afternoon and Continental, up DM2.80 to DM259.30 against the trend, reflecting a 3-5 per cent price increase by its General Tire subsidiary in the US.

VDO Schindling preferred soared DM62, or 23 per cent to DM328.50 on the DM330 bid for outstanding stock from its majority shareholder, Mannesmann. Metallgesellschaft's Buderus subsidiary rose DM32.50 to DM647.50 on a 37 per cent rise in profits in the December quarter.

PARIS featured Canal Plus, the pay television group, as the reorganisation of its shareholding structure was put into place. Under the new arrangement the three main shareholders, Havas, Générale des Eaux and Société Générale will regroup their holdings into one. Havas will have a controlling interest under the new arrangement, and its shares rose FFr4.00 on the day to FFr472.50.

Canal Plus lost FFr15 to FFr1,088, Générale FFr11 to FFr2,776 and SocGen FFr8 to FFr700. In the broader market activity was restrained, leaving the CAC-40 off 21.68 at 2,275.09, a week's loss of 2.4 per cent.

AMSTERDAM's day fell into two segments: morning weakness in reaction to Wall Street, and a recovery later on the early Wall Street trend. The AEX index ended off 2.95 at 434.37, up from the day's low of 428.89, for a week's fall of 0.6 per cent.

Royal Dutch went against the trend on strong US support, said brokers at MeesPierson in Amsterdam, and closed Fl 3.70 higher at Fl 215.40. It was also lifted by good results from BP on Thursday.

KNP BT came in with results much in line with expectations, to close off 80 cents at Fl 49.70, while Fokker, one of the week's most active issues, dipped 60 cents to Fl 23.10, a week's rise of 5.5 per cent.

ZURICH picked up its lows but the SMI index shed 26.5 to 2,985.7, for a 5.7 per cent fall on the week. Mr Hans Kaufmann at Bank Julius Baer in Zurich noted that the market had made encouraging starts to several recent sessions before sales of derivative instruments linked to blue chip stocks had led the cash market lower.

He added that much of the selling came from institutions, while foreign sales had swelled trading volumes as investors took profits and, at the same time, booked currency gains.

Ascom bearers plunged SFr60 or 4.7 per cent to SFr1,220: the troubled telecommunications group announced late on Thursday that its chief financial officer was leaving with immediate effect. Motor-Columbus, the energy and telecommunications group, fell SFr30 to SFr1,720 after a UBS board member said that the bank wanted to sell part of its near-40 per cent stake.

MILAN finished flat, the Comit index rising 0.88 to 680.71 for a 1.3 per cent gain on the week. Kleinwort Benson, which maintains its overweight recommendation, said that investors were betting on a left wing victory in next month's elections.

Banks were mixed after Thursday's warning from Moody's, the US credit ratings agency, that downward pressure on their credit ratings will persist over the next few years. Credito Italiano fell L28 to L2,614. BCI, subject to a stream of bullish analysts' reports ahead of privatisation, added L60 to L5,530.

Ferruzzi put on L142 or 7 per cent to L2,184 amid speculation that a public buy offer could be triggered by changes in the holding's share structure following the capital increase which closed on Wednesday.

Snia, Fiat's chemicals and synthetic fibres subsidiary, added L55 to L1,990 amid renewed speculation that it may be sold.

MADRID ended 3.32 lower at 347.98 after 344.65. The general index was down 2.4 per cent in the week.

Turnover was Pta48.4bn. Telefónica fell Pta60 to Pta2,060 on a judgement of Solomon from Goldman Sachs, which said it had removed the company from its European priority and recommended lists, but continued to rate is as a market performer in the US.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 11 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1486.51	1485.62	1482.98	1480.08	1478.24	1476.75	1482.15	1487.38
FT-SE Eurotrack 200	1542.66	1542.36	1538.65	1535.36	1532.58	1531.49	1539.37	1543.87

	Feb 10	Feb 9	Feb 8	Feb 7	Feb 4
FT-SE Eurotrack 100	1499.22	1504.89	1512.37	1495.54	1529.77
FT-SE Eurotrack 200	1556.07	1561.00	1574.86	1557.75	1592.27

Base value 1000 (26/10/90); High/day: 100 - 1488.24; 200 - 1545.07 Low/day: 100 - 1476.33 200 - 1527.33

Japanese funds ask questions after January rally

The latest economic stimulus package excludes stock market support measures, writes Emiko Terazono

The record Y15,250bn economic stimulus package announced by the government earlier this week excluded stock market support measures, featured in the previous three pump-priming packages presented over the past two years.

With the Nikkei average of 225 leading stocks safely over 19,000, government officials are no longer losing sleep over the Tokyo stock market, which has given the country's financial community a few nightmares since its plunge in 1990.

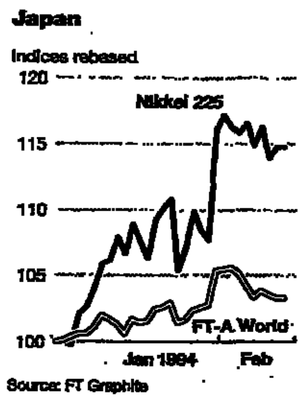
The leading force in the recent rise of Japanese share prices, however, has been buying by foreigners. The Nikkei rose 16.1 per cent during January, as overseas investors poured funds into Tokyo. US and European asset allocators increased their weightings in Japan after sharp rises in south-east Asian markets last year increased their downside risk.

A record $12bn in overseas funds was pumped into the Tokyo stock market during January, and foreign fund managers piled into sectors such as automobiles, electronics and steels.

The big question now is whether the Japanese institutional investors will follow suit or the rally just be a "foreigner" phenomenon. The argument for domestic investors to join the buying is supported by low interest rates, the bottoming out of the economy and corporate profits, and currency risk acting as a deterrent to overseas investment.

Some economists are hopeful that corporate profits will improve this year due to the sharp fall in depreciation. The predicted weakening of the yen is also expected to support sales at leading exporters. However, the Nikkei 225 is now on a prospective p/e of 100, seriously worrying the fundamentalists.

Baring Securities advises an exposure of 42 per cent to the Japanese market for a world fund. It is telling investors not to be frightened by the high price/earnings ratios, saying that cheap stocks do not always rise and stocks considered expensive do not necessarily fall. Foreign analysts hope that the Y43,000bn held by Japanese investors in liquid deposits will start flowing into the equity market, pushing up shares even further.



Source: FT Graphite

However, most Japanese investors remain cautious, arguing that underlying economic fundamentals have not changed drastically, and that it is foreign liquidity which has pushed share prices up. "It's not as if corporate earnings will recover immediately and buying by foreigners won't last forever," says a fund manager at Nippon Life, the country's largest life assurer.

Domestic investors also faceno risk from lack of exposure to Japanese stocks, since most of their holdings are in the Tokyo market.

Behind these big institutional concerns lies persistent gloom over the country's economy. Nomura Research Institute, the research arm of Nomura Securities, sees the real gross domestic product for the year ending March 1995 contracting by 0.4 per cent after shrinking 0.6 per cent in the current year.

The effects of the economic stimulus package, including the income tax cut on the corporate economy are expected to be minimal since, of the Y7,200bn slated for public investment, almost 40 per cent is accounted for by prior land acquisition for public work projects; and consumers, many of whom face an increasing possibility of losing their jobs, are unlikely to spend the extra income from their tax cuts.

Morgan Stanley in Tokyo points out that the impact of Y5,850bn in tax cuts may be delayed significantly, for technical reasons. "The delay in announcing the stimulus package and the following political fiasco have undermined the necessary consumer and business confidence that the package was supposed to achieve," says Ms Mineko Sasaki Smith, a Morgan Stanley economist.

Meanwhile, corporate profits are expected to remain sluggish for the next few years, due to the slow reduction in fixed labour costs. NRI forecasts a 22.4 per cent fall in its earnings of leading 400 companies for the current year to March followed by a mere 2.9 per cent rebound in the next fiscal year.

Another lingering concern for the investment community ahead of the March year-end is the oversupply stemming from profit-taking, by corporations improving their poor earnings through sales of their long term stock portfolios. "Corporate investors withheld their selling when the market was going up, but will start unloading their shares when the momentum dies down," says one Japanese fund manager.

Growing arbitrage positions are also adding to Japanese institutional worries. Long positions held against futures contracts totalled Y1,201bn after the first week of February, the highest level since Y1,380bn in October last year. The funds are afraid that a fall in futures prices could trigger an unwinding.

For now, Japanese brokers are keeping their fingers crossed that foreign buying support will last long enough to take the Nikkei safely through the March book closing period. Mr Yasuo Ueki at Nikko Securities is betting on the index closing the fiscal year at around 20,500.

LATIN AMERICA

Brazil rises 2.3 per cent in midsession trading

Brazilian equities were up 2.3 per cent at midsession in high turnover, in spite of a mild profit-taking spree late in the morning session.

In São Paulo the Bovespa index of the 54 most-traded shares had risen 233 to 10,242 points by 1 pm.

On the Rio exchange, the ISENN index was quoted 4.6 per cent higher at 38,109.

Prices eased from the day's highs – the market was up more than 4 per cent in early trading – after investors decided to cash some profits after gains in the market of more than 18 per cent in dollar terms since February 1.

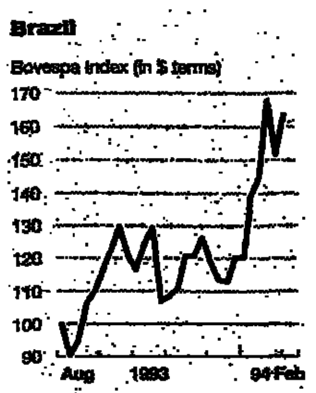
However, brokers said that they did not expect the market to reverse the bull trend.

Midday volume was Crz135.6bn ($250m).

Telebras, the state run telecom group, was 1.1 per cent higher at Crz28.40.

The power utility, Eletrobras, was trading at Crz168.01, up 4.3 per cent, while Petrobras, the oil group, was 5.8 per cent higher at Crz117.50.

Petrobras had surged 12.1 per cent to Crz60 by midsession.



Source: Datastream

● Mexico was easier in early trading as the market reflected Thursday's overnight fall in thetelephone utility, Telmex, on Wall Street. The IPC index of 36 leading shares was off 15.62 to 2,802.82.

Volume was 12m shares.

The only gains in the early part of the day were seen by theindustrial holding company, Fiasa, up 5 per cent, and the construction company, Tribasa, up 0.2 per cent.

ASIA PACIFIC

Gentle Australian upturn as holidays quieten region

Tokyo had its own holiday yesterday and this, with the Chinese new year celebrations, meant that most of the region's markets were closed.

Among those which were open, activity was generally restrained.

AUSTRALIA recovered from an unsteady start to close higher in spite of limited offshore buying and lower gold stocks.

The All Ordinaries index added 7.1 to 2,241.4 in turnover of A$659.6m, off 4 per cent on the week.

News Corp came back from a session low of A$9.80 to close 2 cents up at A$10.16. BTR Nylex was up 13 cents at A$3.26 in volume of 2.8m shares.

BHP firmed 8 cents to A$18.48, after falling to A$18.28. Coca-Cola Amatil was one of the day's main movers, climbing 40 cents to A$11.20 in volume of 1.4m shares after announcing a record annual profit of A$95.4m.

In golds the index shed 73.1 or 3 per cent to 2,352.3 on profit-taking. Placer Pacific fell 21 cents to A$2.54, Normandy Poseidon 15 cents to A$2.25 and Newcrest Mining 31 cents to A$6.05.

Among resource stocks, Western Mining was 10 cents down at A$7.60 but off session lows after reporting a 38 per cent rise in interim net profit.

NEW ZEALAND slipped back in thin turnover, with Telecom losing 7 cents to NZ$4.58. The NZSE-40 index lost 14.38 to 2,349.50, up 0.6 per cent over the week.

Air New Zealand, which announced a profit of NZ$88m for the six months to December 31, ended down 3 cents at NZ$4.04.

MANILA rose on strength in the banking sector and second-line stocks. The composite index gained 27.14 to 3,040.90, a week's improvement of nearly 1 per cent. Turnover rose to 1.2bn pesos from 973m pesos.

Philippine National Bank led the gainers to close uo 4 per cent at 630 pesos.

BOMBAY fell after the Calcutta stock exchange set carry forward costs at 4.0-4.5 per cent, compared with 2 per cent in Bombay. The BSE index lost 39.16 at 4,000.74 for a week's decline of 2 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 10 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY FEBRUARY 9 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	181.33	-1.6	183.95	124.31	165.29	167.92	-1.6	3.07	184.24	187.04	125.60	168.61	170.57	189.15	124.78	124.78
Austria (17)	187.87	0.3	190.58	128.78	171.25	171.37	0.2	0.93	187.27	190.10	127.88	171.37	171.07	196.41	139.23	140.44
Belgium (42)	165.56	-0.4	167.97	113.61	150.93	147.80	-0.6	3.89	166.24	168.76	113.32	152.13	148.65	169.08	138.95	138.95
Canada (107)	136.96	-0.4	138.94	93.89	124.85	133.13	-0.6	2.53	137.57	139.65	93.78	125.89	133.91	145.31	117.81	118.71
Denmark (32)	265.88	0.6	269.72	182.27	242.36	247.21	0.6	0.92	263.77	267.77	179.81	241.38	245.83	275.79	195.66	200.89
Finland (22)	149.84	-1.1	152.00	102.72	136.59	178.56	-0.7	0.57	151.56	153.88	103.32	138.70	179.88	156.72	65.50	65.50
France (98)	179.06	0.1	181.64	122.75	163.22	167.27	-0.3	2.78	178.94	181.65	121.99	163.76	167.70	185.37	149.46	149.48
Germany (59)	131.35	1.9	133.25	90.05	119.74	119.74	1.4	1.77	128.97	130.92	87.92	118.02	118.02	142.38	107.59	109.62
Hong Kong (56)	464.88	0.0	471.59	318.69	423.77	462.68	0.0	2.30	464.95	472.00	316.96	425.50	462.88	506.56	233.58	233.58
Ireland (14)	192.99	-0.3	195.77	132.30	175.92	193.31	-0.5	2.88	193.61	196.54	131.98	177.18	194.22	209.33	129.29	131.28
Italy (68)	77.08	1.1	78.20	52.84	70.27	97.38	1.2	1.69	76.22	77.38	51.96	69.76	96.20	78.93	55.21	59.38
Japan (469)	148.73	0.1	150.68	101.96	135.58	101.96	0.7	0.80	148.53	150.79	101.26	135.93	101.25	165.91	106.97	107.53
Malaysia (69)	507.22	-0.1	514.54	347.71	462.36	539.35	0.0	1.35	507.49	515.19	345.96	464.43	539.35	521.63	267.68	268.63
Mexico (18)	2632.57	-0.6	2670.54	1804.89	2399.70	8997.17	-0.6	0.57	2647.08	2687.19	1804.52	2422.42	8966.44	2647.08	1410.30	1540.86
Netherland (26)	203.57	0.3	206.50	139.55	185.56	182.60	0.0	2.90	202.88	205.96	138.31	185.87	182.56	207.43	155.34	155.49
New Zealand (14)	74.81	-0.5	75.89	51.28	68.19	69.10	-0.2	3.36	75.17	76.31	51.24	68.79	69.28	77.59	43.47	43.47
Norway (23)	196.07	-1.3	198.80	134.41	178.72	201.59	-1.3	1.26	198.60	201.61	135.39	181.75	204.20	204.44	138.63	145.00
Singapore (45)	353.38	-0.1	358.49	242.26	322.13	258.20	0.0	1.60	353.61	358.97	241.06	323.60	258.20	378.92	213.57	219.44
South Africa (60)	248.77	-0.6	252.38	170.54	226.77	248.06	-0.1	2.31	250.30	254.10	170.63	229.06	248.36	280.26	160.78	170.72
Spain (42)	150.21	-0.6	152.38	102.97	136.93	162.29	-0.6	3.61	151.10	153.38	103.00	138.27	163.30	155.79	116.33	128.32
Sweden (36)	214.91	-3.0	218.02	147.33	195.91	257.81	-2.2	1.35	221.60	224.96	151.07	202.80	263.50	230.02	154.59	161.03
Switzerland (49)	164.61	-1.1	166.96	112.84	150.05	150.89	-1.2	1.45	168.42	168.94	113.45	152.30	152.58	176.56	109.14	110.62
United Kingdom (215)	203.98	-0.5	206.92	139.84	185.94	206.92	-0.8	3.48	205.02	208.13	139.77	187.63	208.13	214.96	162.00	162.16
USA (518)	190.63	-0.8	193.38	130.68	173.77	190.63	-0.8	2.75	192.24	195.16	131.05	175.83	192.24	198.04	176.29	182.31
EUROPE (744)	171.34	-0.1	173.81	117.46	156.18	167.81	-0.2	2.69	171.54	174.14	115.94	155.98	168.21	178.58	134.88	134.88
Nordic (113)	209.52	-1.6	212.54	143.63	190.98	219.61	-1.3	1.13	213.28	216.51	145.39	195.18	222.46	220.60	146.85	149.23
Pacific Basin (722)	161.05	0.0	163.36	110.41	146.81	114.41	0.5	1.06	161.01	163.45	109.76	147.35	113.84	168.80	112.00	112.38
Euro-Pacific (1466)	165.18	0.0	167.57	113.24	150.57	135.14	0.2	1.78	165.24	167.74	112.64	151.21	134.89	170.76	121.37	121.46
North America (625)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (529)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (253)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1651)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1954)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2109)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1700)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2169)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allied-Lyons	600	37½	47	58½	14½	31½	38
(*617)	650	13½	23	33½	43	61½	67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Hanson	280	12½	18	22½	1½	9	13
(*290)	300	2½	9	13½	11½	19½	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	18	30	28	83	223	78
Other Fixed Interest	4	0	11	17	27	31
Mineral Extraction	32	101	74	300	393	342
General Manufactures	61	298	326	814	1,164	1,441
Consumer Goods	21	81	91	213	335	417
Services	53	214	254	593	846	1,162
Utilities	3	35	8	50	148	34
Financials	44	174	172	440	672	838
Investment Trusts	10	348	104	465	1,258	592
Others	24	72	26	215	258	125
Totals	270	1,351	1,094	3,190	5,320	5,060

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Amstrad, Allied Irish Bk., Burton, Cementone, Devlopment Secs., Jury Hotel, Hay (N.), Merchant Retail, Molynx, NSM, Porter Chad., Sleepy Kids, Stand. & Chart., Titaghur, Triton Europe, Utility Cable, York. TV Wts., Puts: Allied Irish Bk., Amstrad, Burton, Jury Hotel, Hay (N.), Merchant Retail, NSM. Put & Call: Business Tech.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
140	F.P.	260.9	173	163	Alpha Airports	173	+1	RN4.03	2.2	2.9	19.8
-	F.P.	88.1	75¼	68¾	Baring Emrg Euro	71¾	-¾	-	-	-	-
-	F.P.	9.59	49½	33¼	Do Warrants	38¾	-1¼	-	-	-	-
150	F.P.	102.7	153	148	Chiroscience	151		-	-	-	-
235	F.P.	69.3	268	250	Coda	264	-4	WN2.0	4.5	0.9	27.5
§90	F.P.	7.00	173	108	Comp Fin Sol	149	-6	N-	-	-	23.2
-	P.P.	10.4	58	55	Energy Capital	58		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SPIRITS, WINES & CIDERS - Cont.

TRANSPORT - Cont.

SUPPORT SERVICES

WATER

LIFE ASSURANCE

AMERICANS

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

INVESTMENT COMPANIES

RETAILERS, FOOD

PHARMACEUTICALS

MERCHANT BANKS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£19		£19½	£7½	1,133	3.7	16.0
Barlow		94¼	-⅛	65⅞	24	858.1	7.5	8.0
Gold Fields SA R		£13xd	-½	£16	£7¼	1,254	3.1	21.8
NK Props	§	95		97	68	3.82	9.3	39.1
SASOL	♥	337		337	215	1,809	4.6	-
SA Brews		213	-⅛	215	£7	7,037	2.1	21.5
Tiger Oats		713		838	513	1,071	2.3	15.1
Tongaat-Hulett	†	498xd	-17	522	212	371.2	3.0	13.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xti ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

OIL, INTEGRATED

SPIRITS, WINES & CIDERS

FINANCIAL TIMES
Weekend February 12/February 13 1994

US and Japanese summit ends without deal on market access

By Jurek Martin in Washington

The US and Japan failed yesterday to reach agreement on US demands for greater access to the Japanese market.

A sombre President Bill Clinton said at the White House after his meeting with Japanese prime minister Morihiro Hosokawa that Japan's offers "simply did not meet the standards agreed in Tokyo last summer".

It was better Mr Clinton said "to have reached no agreement rather than an empty agreement". However, the two leaders agreed not to let the failure undermine close US-Japanese relations.

The outcome of the US-Japan summit had hung in the balance all day, leaving the two leaders wrestle with the impasse over US demands for greater access to the Japanese market.

Both before and after the meeting Mr Clinton stressed the importance of close ties with Japan. "Just because we have some disagreements doesn't mean we don't have a good relationship," he said.

For his part, Mr Hosokawa assured the US yesterday that Japan had no intention of acquiring an independent nuclear capability. "Such a policy," according to the text of a speech to be delivered later, "would be against Japan's national interests." It been suggested that Japan might be forced to build a bomb if North Korea did.

The White House session had been preceded by a virtually non-stop round of talks between US and Japanese officials - all of which failed to make progress.

Under what is known as the "framework" approach, the US is demanding that Japan set measurable targets for opening its markets in four sectors - telecommunications, medical equipment, insurance and cars and car parts. Japan is resisting the imposition of numerical targets.

Mr Tsutomo Hata, Japan's foreign minister, and Mr Mickey Kantor, the US trade representative, finished a three-hour session at four in the morning. Mr Hata reported that "unfortunately we have not been able to reach an agreement so far", while a US official said the US side was "very pessimistic".

Mr Hata had conferred with Mr Hosokawa shortly after the prime minister's arrival in Washington on Thursday night and after an earlier session with Mr Kantor and Mr Lloyd Bentsen, the treasury secretary. But the foreign minister was said to have placed more emphasis on co-operation on non-trade issues.

The White House line yesterday had been to keep the pressure on the Japanese to the last. Mr Kantor warned before the breakdown of the talks of unspecified retaliation.

Yesterday morning the White House announced that its economic council, which includes all the leading participants in the Japanese negotiations, would meet after the summit, implying that action against Japan would be at the top of its agenda.

Lloyd's may extend offer

Continued from Page 1

last year. Lloyd's may vary the deadline again.

Leaders of action groups – who are organising legal action on behalf of loss-makers – remain confident that the offer will be rejected. At meetings last month, loss-makers voted by majorities of at least five to one to reject the settlement in favour of legal action. Only one out of 38 action groups has voted to accept.

Mr Michael Deeny, chairman of the Gooda Walker Action group, which is organising the biggest legal action, says his group will go ahead with legal action irrespective of Names' overall response to the offer.

The group's case, the biggest at the insurance market, is due to come to court in April.

Mr Colin Hook, chairman of the Feltrim Names Association, whose case is scheduled to come to court in October, said he could not see any value in keeping the offer open.

"It just prolongs the agony," he said, although he acknowledged that some Feltrim Names who had voted in favour of rejection last month might have subsequently accepted the offer.

"One or two Names will waver but the bulk of Feltrim Names have stayed firm," Mr Hook said.

Berlusconi's brother faces corruption investigation

By Robert Graham in Rome

The political ambitions of Mr Silvio Berlusconi, the Italian media magnate, were threatened yesterday when Milan magistrates issued an arrest warrant for his brother, Paolo, on suspicion of corruption.

Mr Silvio Berlusconi staked his claim last Sunday to lead Italy at the head of his new movement, Forza Italia, amid signs of a strong showing in the opinion polls.

His brother's troubles came on the day Mr Berlusconi announced an electoral pact with the populist Northern League of Mr Umberto Bossi to fight the March 27 general election. The combined movement stands a good chance of picking up more than a third of the total vote.

Aides of Mr Berlusconi insist that he cannot be condemned for unproven allegations against his brother Paolo. But the Italian media, generally hostile to Mr Berlusconi's political ambitions and concerned at his use of his near monopoly of commercial television for self-promotion, will try their best to use the issue against him.

Mr Bossi and Mr Berlusconi said the magistrates' move was politically motivated.

Paulo Berlusconi: handed himself over to the authorities

Mr Paolo Berlusconi, who handed himself over to the authorities yesterday, is being questioned about alleged payments made in connection with property development on the outskirts of Milan.

That in turn is part of a broader inquiry into the affairs of the pension fund of Cariplo, the Milan-based savings bank whose chairman, Mr Roberto Mazzotta, was arrested on Monday.

Cariplo officials are accused of conducting a series of fraudulent property transactions to hide political pay-offs.

Between 1983 and 1986, three Berlusconi properties were sold to the Cariplo pension fund for some L23bn (£8.8m), magistrates claim. Mr Paolo Berlusconi is alleged to have paid bribes totalling more than L900m to a Cariplo official. The money was then split between local politicians, intermediaries and bank officials.

When the allegations appeared this week, Mr Paolo Berlusconi's lawyers denied that any such payments had been made.

Paolo, aged 43, is widely regarded as having grown up in his elder brother's shadow. In 1992 he came to prominence when Silvio split some of his newspaper interests and the construction business, Cantieri Milanese Riuniti, from the Fininvest group and placed them with his brother.

However, Mr Silvio Berlusconi made the move to avoid anti-trust legislation and is thought to have continued to take a close interest in the construction business, which he founded.

Mr Paolo Berlusconi has already had one brush with Milan magistrates last year and is to stand trial with 34 others for alleged corruption related to waste disposal contracts.

Equities face volatile week

Continued from Page 1

the CAC-40 index fell 21.68 to 2,275.09, a week's loss of 2.4 per cent. Other European markets were also weaker.

In currency markets sterling staged a late recovery. Having slipped from \$1.48 before Tuesday's rate cut to \$1.45 on Thursday, it recovered to close at \$1.4663. It was also slightly firmer against the D-Mark.

The Bank of England surprised the UK government bond market yesterday when it opted for a maturity of six to 10 years for its next auction on February 23. Details of the specific stock, the amount to be auctioned and the terms of the auction will be announced on February 15.

Mr Nigel Richardson, head of bond research at Yamaichi International, interpreted the Bank's decision to go for a medium-dated maturity as a sign it hopes to attract foreign investors.

After the news of the auction, long-dated gilts rose by $\frac{1}{16}$ of a point and short-dated gilts by $\frac{3}{8}$ of a point.

Bauman to chair BAe

Continued from Page 1

has made an important contribution in changing the culture of BAe's defence business, and has worked as part of a team. He has now accomplished the majority of the tasks he set out to do, and therefore feels this is a sensible time to make a change."

Mr Cahill's two years at the company have been a period of dramatic change, after the departure of Professor Roland Smith. It culminated last week with the announcement of the sale of Rover to BMW of Germany.

The appointment of Mr Bauman, who will continue to be based in London, is likely to be well received in the City. He has experience of the aerospace business, having been chairman from 1981 to 1985 of Avco of the US. His replacement at SmithKline Beecham has already been announced as Mr Jan Leschly, head of pharmaceuticals.

As Mr Bauman is a US citizen, BAe is having to change its articles of association to allow him to be chairman.

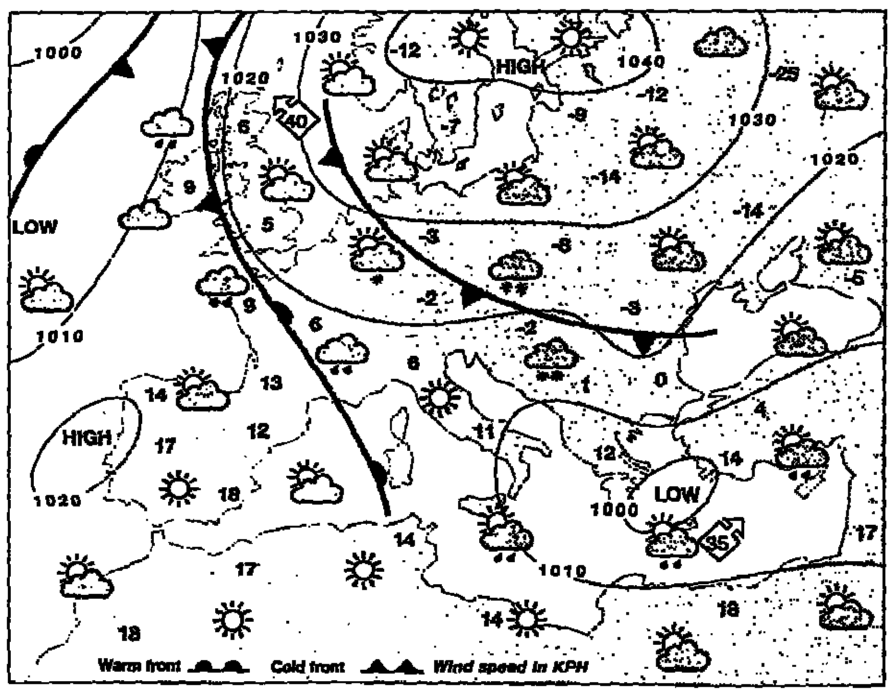
FT WEATHER GUIDE

Europe today

High pressure will continue to strengthen over the Baltic, southern Finland and Sweden, while low pressure will stay over the Mediterranean. This will bring moderate-to-fresh easterly winds, which will push frigid air west from eastern Europe. Many areas will have temperatures below freezing. Russia will remain extremely cold, between -40C and -25C. Southern Scandinavia will also be cold. Central Europe will be cloudy with snow flurries. The UK will be cloudy with drizzle. Western Ireland and south-east England will be dry with sunny periods. South-western France will have rain, while Portugal and Spain will stay sunny. The eastern Mediterranean will be unsettled with widespread showers.

Five-day forecast

On Sunday and Monday many areas of Europe will be cold, with wind chills around -25C and a mixture of sun, cloud and snow. The Mediteranean will remain unsettled with thunder and showers. Milder air from the Atlantic will bring showers to Portugal and western Spain, while northern France and the Benelux countries will be milder with snow.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	23
Accra	fair	33
Algiers	fair	17
Amsterdam	cloudy	3
Athens	shower	8
B. Aires	fair	26
B.ham	cloudy	5
Bangkok	fair	35
Barcelona	fair	12
Beijing	cloudy	4
Belfast	cloudy	8
Belgrade	cloudy	1
Berlin	snow	-1
Bermuda	fair	22
Bogota	fair	21
Bombay	sun	31
Brussels	fair	4
Budapest	cloudy	1
C.hagen	cloudy	-1
Cairo	fair	18
Cape Town	fair	23
Caracas	cloudy	26
Cardiff	drzzl	6
Chicago	snow	-3
Cologne	cloudy	3
D' Salaam	fair	31
Dakar	sun	25
Dallas	cloudy	13
Delhi	sun	21
Dubai	sun	21
Dublin	cloudy	9
Dubrovnik	cloudy	10
Edinburgh	fair	6
Faro	sun	17
Frankfurt	fair	2
Geneva	fair	-2
Gibraltar	sun	19
Glasgow	drzzl	8
Hamburg	cloudy	-1
Helsinki	sun	-15
Hong Kong	rain	20
Honolulu	fair	27
Istanbul	shower	6
Jersey	cloudy	7
Karachi	fair	25
Kuwait	cloudy	18
L. Angeles	sun	22
Las Palmas	sun	21
Lima	cloudy	26
Lisbon	fair	18
London	fair	5
Lux.bourg	snow	4
Lyon	shower	-1
Madeira	fair	20
Madrid	sun	13
Majorca	fair	15
Malta	shower	13
Manchester	fair	6
Manila	cloudy	30
Melbourne	fair	29
Mexico City	fair	22
Miami	sun	28
Milan	fair	6
Montreal	fair	-10
Moscow	cloudy	-12
Munich	fair	-3
Nairobi	cloudy	30
Naples	fair	11
Nassau	fair	28
New York	cloudy	1
Nice	fair	8
Nicosia	shower	15
Oslo	fair	-6
Paris	fair	8
Perth	fair	30
Prague	snow	-1
Rangoon	sun	31
Reykjavik	windy	2
Rio	cloudy	28
Riyadh	sun	23
Rome	fair	11
S. Frsco	fair	14
Seoul	fair	1
Singapore	rain	31
Stockholm	fair	-9
Strasbourg	cloudy	3
Sydney	fair	27
Tangier	sun	17
Tel Aviv	fair	18
Tokyo	shower	7
Toronto	snow	-4
Tunis	cloudy	14
Vancouver	rain	7
Venice	fair	7
Vienna	snow	1
Warsaw	cloudy	-8
Washington	ice	0
Wellington	fair	23
Winnipeg	snow	-14
Zurich	fair	-2

THE LEX COLUMN

Power play

For an academic, Professor Stephen Littlechild has a curious fondness for blunt engineering solutions. Faced with the complex but failing market in electricity generation, the regulator has finally settled for giving it a couple of healthy bangs with the hammer. Whether these will actually make the market function any more effectively is a moot point. The price cap applied for the next two years will have a marginal impact on National Power and PowerGen's profitability – shaving perhaps 5 per cent from earnings per share growth. But that will not disturb the companies' ability to increase dividends, so the current share price ratings look underpinned.

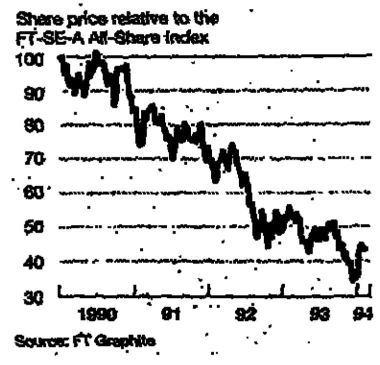
The sale of power plant is also unlikely to damage the companies much, given that they only have to sell stations if they can get decent prices. More significantly, control of the price-setting mechanism is still likely to remain with the two big generators, as they will continue to own most of the relevant plant. The generating market is split between a large price-insensitive block of nuclear and gas stations and another block of price-sensitive coal plant. Marrying the two into some kind of single market will require the kind of fundamental reforms that have just been ducked.

The generators will presumably split up their plant sales so that no one competitor has a significant market share. Demerging a package of plant as a separate stock market company would ensure that shareholders retained the value of these stations. National Power and PowerGen have bought themselves a couple of trouble-free years and the outcome is certainly better for them than a Monopolies and Mergers Commission inquiry. But similar issues will remain in 1996, leaving Prof Littlechild with a problem. As the market becomes more crowded, the vexed question of the independent producers' long-term contracts to buy expensive gas for their new stations will come back to haunt him too.

FT-SE Index: 3378.9 (-28.1)

Ladbroke

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Lloyds Bank

Bad debts have fallen at Lloyds Bank, but it is evidently still uneasy about the lingering impact of recession on its customers. Queens Moat, among other corporate banking surprises, caused it to draw fully on that division's 1992 general provision. Now it has made a £70m general provision to cover latent problems across the group as a whole. General provisions amount to 0.7 per cent of customer advances, compared with only 0.4 per cent five years ago.

Lloyds may be right in expecting aftershocks from the recession, but a broader issue is at stake. Should banks which have suffered undreamt of loan losses in the last few years, use better times to stock up on general provisions? The question must interest those like Barclays which have been particularly badly hit. The conventional objection is that this is mere smoothing of profits. Yet the existing system – whereby banks book profits for a loan over several years and then suddenly write down the principal when it goes sour – also distorts the true earnings picture. The real difficulty lies in finding an objective measure of the actual risk of default to prevent managements from using general provisions to manipulate profits.

As to Lloyds' operating profits, they present a familiar picture. Strip away the benefit to net interest income from the Argentine back interest payment and the increased securities gains, and there is little sign of organic growth. That dividend increases are insufficient compensation explains why Lloyds has underperformed the banking sector by 24 per cent over the past year.

UK markets

The virtuous circle of a rising equity market linked to higher gilts and sterling was well and truly broken this week. Thanks to the Federal Reserve tightening and the UK authorities' fumbled presentation of Tuesday's rate cut the sparkle has gone out of all three markets at once. Yet if the circle cannot be mended, the markets need not continue to feed off each other's fall.

Equities should reap some benefit from the weaker currency, which will be useful in the light of yesterday's trade figures showing lower export volumes. Much depends on whether earnings and dividend growth is sufficient to support share prices. It is too early in the results season to draw any firm conclusions, though dividend increases from Reuters and Lloyds Bank of 23 and 20 per cent respectively offer some encouragement.

Gilts may have an harder time, especially if US bonds refuse to settle down. Indeed the Bank of England seems defiant in planning an auction with a maturity of up to 10 years. Perhaps it believes foreign buyers will return, but its announcement left open the option of a six-year issue if they do not.

Ladbroke/Burford

Ladbroke's sale of a parcel of properties for £103m provides comfort on two fronts. First, it highlights the new management's determination to reduce its £1.3bn debt by selling off the more extreme parts of Mr Cyril Stein's sprawling empire. Second, it hints that Ladbroke's properties may indeed be worth what the accounts suggest, which has been a worry in the market. That said, the deal has more significance in terms of sentiment than substance for Ladbroke. The cash inflow is unlikely to prevent the company from chopping its dividend. Ladbroke retains another £760m of commercial property which may prove more difficult to shift.

It is easy to understand Burford's delight. The company has been quick off the mark in securing a deal with one of the few sellers in the market. Moreover, Burford is issuing new paper at a 27 per cent premium to its net asset value to buy properties with an initial yield of 8.4 per cent. That equation will immediately enhance asset values and earnings.

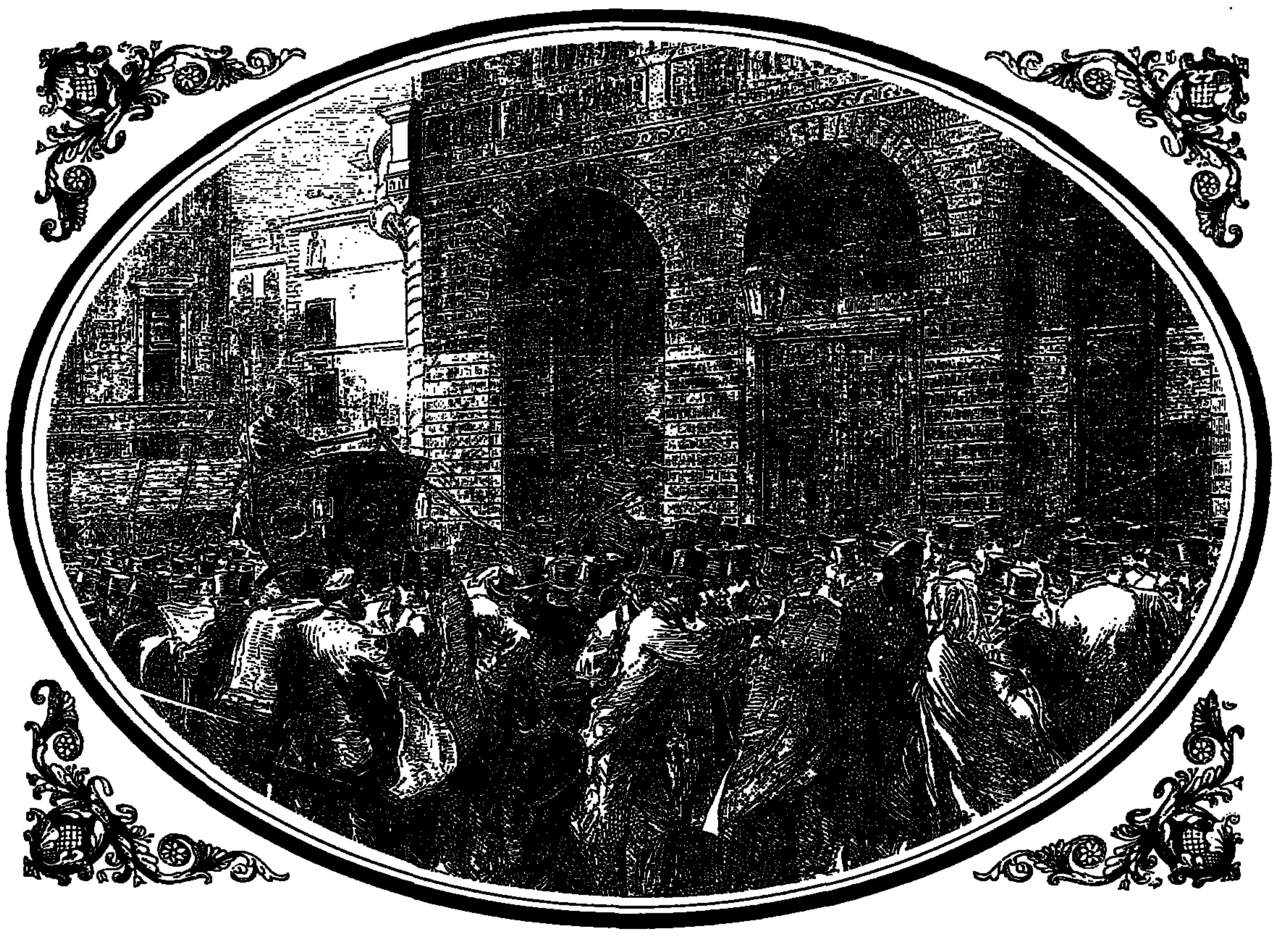
The package of properties contains a fair mix of investment grade assets and dull office buildings. But it would be surprising if Burford failed to push the yields higher with more active management. The expansion of Burford's equity base should also enable it to gear up to buy riskier but more rewarding secondary sites. That is where the investment money is now heading.

Weekend FT

SECTION II

Weekend February 12/February 13 1994

***David Kynaston** tells the story of a 19th century crisis that almost destroyed London as a financial centre and irrevocably changed the banking system*



How Rothschild saved the City from collapse

On Saturday – that dreadful Saturday I shall never forget – the run increased to a frightful degree, everybody came in to take out their balance, no-one brought any money in. One old steady customer, who had usually £30,000 there, drew it out without, as is usual, giving any warning, and in order to pay it the House was left literally empty. Henry went out to endeavour to borrow but people made shuffling excuses. Old Scott cried like a child of five years old…

That unforgettably dreadful Saturday was December 3 1825. The hysterical partners all belonged to the private banking firm of Pole, Thornton, Free, Down & Scott, and the City of London was in turmoil.

It was the worst crisis since the South Sea Bubble of 1720, when hugely inflated schemes of trade in the Pacific and elsewhere had ended in tears and acrimony. There had been several other crises since, but none so threatening to the whole financial and commercial edifice. Everyone knew the cause, few the remedy.

From the early 1820s the City had been in a state of headlong, uncontrolled, irrational bullishness – the first of the great 19th century booms following the defeat of Napoleon at Waterloo in 1815.

As anyone who has been anxiously watching the market in recent weeks will understand, stocks can go bounding upwards so long as everyone is confident that they will continue to rise, but as soon as people begin to lose their nerve, the whole house of cards can collapse. Even in modern regulated markets the psychological fundamentals are the same as in the great crisis of 1825.

In those days, the banking system also depended crucially on confidence, partly because its capital reserves were inadequate and completely unpoliced. Protection for investors was minimal; the private sector Bank of England, little more than a century old, was still groping uncertainly towards modern notions of central banking; and a host of new entrants from the continent was flocking into the City to take advantage of London's new position as the world's dominant financial centre. The square mile was at this time no place for faint hearts.

One of its specialities was grossly overpriced loans to the newly liberated countries of Latin America. But at least Colombia, Chile and Peru were all real places – unlike Poyais, an imaginary country reputedly somewhere in central America for which bonds were successfully issued.

By late 1825, the bubble in foreign loans and company promotions had burst, hastened by speculative over-trading in imported commodities, rashness on the part of the country banks, and a Bank of England policy that veered between complacency and an over-sharp contraction of credit.

"There will be a general crash," the Duke of Wellington, who became Tory prime minister from 1828 to 1830, had predicted in March. He took a grim satisfaction as events unfolded.

Keeping his head while all around lost theirs, was 28-year-old Henry Thornton. His sister, Marianne, recorded the events of that terrible day: "They shut up always at five. At four, he ordered the balance for the day to be struck, and found that during the next hour they would have to pay £33,000, and they should receive only £12,000. This was certain destruction and he walked out determined to try one last resource."

He went to a fierce rival, the banking house of Smith, Payne & Smiths and threw himself at the mercy of John Smith. He said that he could hardly expect him to lend him money, but if he could get them through until five, it would be "an inexpressible relief". Smith asked if he could give his word of honour that Pole, Thornton, Free, Down & Scott was solvent. Henry gave it.

"Well," continued Marianne, "then he said they should have everything they could spare, which was not quite enough tho', for they had been hard-pressed themselves that day, but he went back with Henry to watch the event. Two people had chanced to pay in some money whilst Henry had been absent. This, with what he had borrowed, exactly met the demand upon them. But never, he says, shall he forget watching the clock to see when five would strike, and end their immediate terror – or whether any one would come in for any more payments. The clock did strike at last, and they were safe for the moment…"

Thornton's bank might just have pulled through, but on Thursday, December 8, news came that Wentworth & Co, a leading Yorkshire bank had failed, owing Pole's a vital sum which could not be repaid.

Hudson Gurney, the Quaker banker, expressed the fear that gripped the country that day: "Who may be able to stand on a general shrinkage nobody can well foresee." Adding: "I have been run to death, apparently doing nothing, but am utterly bothered in mind and spirit." Charles Churchill, the timber broker, declared in his diary on the Saturday: "The distress for Money among respectable Dealers & Merchants is beyond anything ever experienced."

A tidal run on the country banks was beginning and Henry Thornton was convinced that there was no alternative but for his bank to stop payment. "If he had borrowed more money," Marianne explained, "it would have only been to lend to Country Banks, who might all have stopped tomorrow."

Henry took his decision calmly enough, bringing down over three dozen country banks. But when he told the City on Monday morning, the reaction was frenetic.

"The dense fog which prevailed throughout the day was scarely more gloomy than the countenances of those who are affected by the present alarming state of the Money Market," the *Morning Chronicle* reported. Tuesday was no better, as news came that Williams & Co, of Birchin Lane, was in trouble. An impassable crowd gathered outside that particular banking house. "Never were such times," cried many of the oldest visitors of the exchange, while others exclaimed: "If this state of things continues, we must ask not who is gone, but who stands? For unless something is done to relieve the pressure, and to restore confidence, few can resist so overwhelming a torrent of distrust."

On Wednesday, panic mounted and: "The Royal Exchange was thronged long before the customary hour of assemblage, and Cornhill, Lombard-street, Nicholas-lane, and all the streets in which banking-houses are situated, were crowded to such a degree, as to impede the progress of passengers." Police were called and "kept up a constant cry of 'move on'". Gloom pervaded the Stock Exchange, where "in the Foreign Stocks all were on the decline, and of Home Shares nothing was said except a hearty wish that they were all in a very warm place".

The only positive development of the day was a meeting at Mansion House of about 100 merchants and bankers, who passed a resolution expressing confidence in the Bank of England's attempts to stem the crisis.

Their confidence was, on the whole, justified. Since the start of the week the Bank had been making every effort to bolster the market. A key moment came on Thursday, when Lord Liverpool's Tory government reluctantly gave its sanction to the Bank issuing £1 notes for the first time since Britain's return to the gold standard four years earlier.

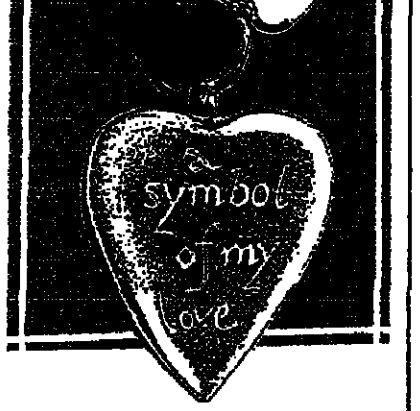
Yet by Friday, the situation was as grave as ever. Relations between government and Bank were at best irascible and Frederick Robinson, chancellor of the exchequer, was held in contempt by the City for irresolution. Only one possible saviour was left. The City turned to an outsider, a foreigner and a Jew, who was held in grudging respect for the sharpness of his financial dealings.

Nathan Rothschild, one of the greatest financiers of all time, was the third son of a Frankfurt merchant. He had been based in the City since 1808 and was already acknowledged as its nonpareil figure. Having made a huge fortune by conducting audacious bullion operations on behalf of the British Government during the later stages of the Napoleonic Wars, this was Nathan's chance to do something similarly striking in peacetime, to save the nation from financial collapse and make a handsome turn at the same time.

By the end of that Friday he had man-

Continued on Page XIV

CONTENTS



The Long View/**Barry Riley**

Yielding no quarter

The building societies this week put forward their candidacy for an Ostrich Award when they blustered that a mere quarter-point cut in interest rates was not worth a response. TSB, a retail bank that is one of their most direct rivals, thought differently, and quickly trimmed its mortgage rate.

As mutual companies, building societies face severe restrictions on how they may respond to radical changes in the mortgage and savings markets. They struck it lucky during the inflationary boom periods of the 1970s and 1980s and were able to grow on an *enormous* scale. In historically freakish circumstances their balance sheets expanded at an average annual rate of 15 per cent during those two decades.

But now the growth rate has tumbled to 5 per cent and worse may be to come. There will always be a place for mutual savings and mortgage banks, but they might need to become much smaller. To take a pessimistic view, they might have the same minor relationship to banks as friendly societies, for instance, have to life assurance companies.

Low interest rates have exposed the vulnerability of building societies. They suffered net outflows of savings deposits in five of the last seven months of 1993 – although this is ignoring interest credited, allowing for which savings rose by £10.7bn during the year. This result was only achieved, however, by holding interest rates on savings relatively high, which has meant that building societies have become uncompetitive on the mortgage side.

Net mortgage advances have dropped from £20.6bn to £9.4bn over two years. As the banks – notably Abbey National, which converted to banking status in 1989 – have grabbed business, the building societies' market share of new house mortgage lending has tumbled from 78 per cent in 1991 to about 55 per cent last year. The building societies cannot expect to get away with a mortgage rate of, say, 7.64 per cent (the Halifax's at present) when wholesale money costs 5.25 per cent.

According to calculations by Legal & General, the rise in liquid assets held by the personal sector last year was about £15bn when on the basis of the growth of savings as a whole it could have been expected to be some £24.5bn. Thus £9.5bn went missing – largely into unit trusts. This hit the banks as much as the building societies, but the banks could easily raise alternative finance in the wholesale money markets or the securities markets. Abbey National derives about 50 per cent of its resources from the wholesale markets, Halifax Building Society only about 15 per cent.

The Building Societies Act imposes a limit of 40 per cent on non-retail funding, but a safety margin is needed and, in practice, societies operate well below this level. The ceiling could be raised, and indeed a review of the Act is under way, but there is an underlying principle that mutual societies must transact most of their business with members. They always have the option, after all, *of converting to bank plc status if the* straitjacket proves too frustrating.

There *might* be another way out. The building societies' problem is not just that the savings flow is too small, but that there is a growing mismatch between their variable rate savings balances and the increasing popularity of fixed rate mortgages. The overwhelming proportion of UK householders' outstanding mortgage debt of some £350bn is on a variable rate basis, but at the margin there has been a radical change. Two years ago less than a fifth of new mortgages had the interest rate fixed for more than a year, but today the proportion is more than half.

This represents a shift towards the international norm: in Germany 70 per cent of mortgages are at fixed rates, and in the US 75 per cent. So long as British inflation remains reasonably low and steady, as the Bank of England cautiously suggested in its quarterly *Inflation Report* this week, fixed rate mortgages will surely become more and more dominant in the UK.

In fact it is really rather odd that so much variable-rate short-term finance has been available in the UK to finance mortgages. German mortgage banks have always relied heavily on fixed rate bonds that can be sold on a secondary market. In the US there has been a big move more recently towards securitisation of mortgage finance through the bond market.

The building societies are therefore grappling with only the first symptoms of a potentially fundamental long-term problem of balance sheet structure. They must persuade their members to contribute fairly long-term fixed rate *savings if on the other side of the bal*ance sheet they are to lend prudently at fixed rates. But British savers are unaccustomed to buying fixed rate bonds, and it will take more than reassurances from the Bank of England to persuade them that inflation is dead.

For the time being societies are keeping their heads down and hoping for a lucky break. There are rumours that one or two are originating mortgages and then quietly transferring them to *banks, who can obtain matching* finance. At least this is a way for the building societies to keep their operations ticking over. They have £220bn of existing mortgages on their books, on which they can earn a living until the sands of time run out.

They are protected by the cost and inconvenience of refinancing existing mortgages in the UK, in sharp contrast to the US where refinancing is a vast business. Also, most borrowers in the UK are unhappy with *the idea of mak*ing judgments about interest rates; they prefer to stick to what they see as the relative safety of floating rates. Again, an extended period of stable interest rates may change this attitude.

So might the persistence of uncompetitive mortgage rates, which is where we are now. Within a year or two the building society sector may have to shrink, which would happen through further important defections to proprietary banking status.

London

Morsel fails to satisfy the hungry

Roderick Oram

Toss hungry markets only a morsel and they are likely to turn on you. The government and Bank of England were taught the lesson this week by equity, bond and foreign exchange markets. A one-quarter point cut in the base rate on Tuesday was not what markets were expecting or what they wanted. They were hoping to feed the bulls a half point in the spring.

Caught on the hop for the second time in three days, the markets were in no mood to buy the authorities' explanation for the cut. The Bank said it was appropriate to lower the rate because inflation was well under control. It forecast that the retail price index minus mortgages would probably be running at just over 3 per cent by the end of next year, well within the government's target of 1-4 per cent.

The markets were worried, though, by the Bank's admission that inflation was more likely to rise than fall. Moreover, the Bank said that getting inflation into the bottom half of the range would require wage negotiators and others to lower their inflationary expectations. With a big rise in taxes looming in April, that was asking a lot.

They worried also that a quarter point cut, the first reduction of such a modest size in nine years, meant that the bottom of the interest rate cycle was in sight. All this came after a string of previous signals from the Bank that there was no need to cut rates in the near term.

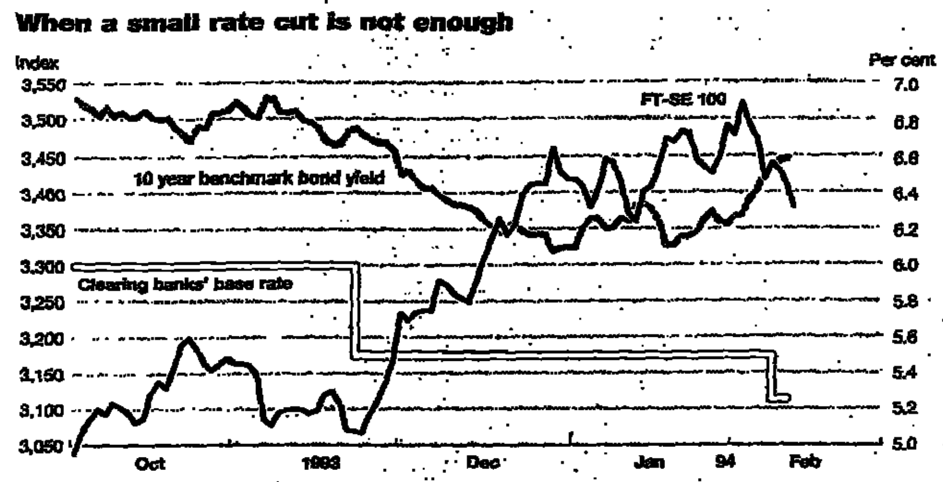
If economic logic was lacking then the cut had to be politically inspired, market participants concluded. Michael Portillo, Chief Secretary of the Treasury, did not help by trying to dismiss the fear. "This has nothing to do with elections and tax rises," he said.

With rather unfortunate timing, Eddie George, the Bank Governor, had argued only last Sunday that an independent Bank would sometimes be out of step with the government. "There would be circumstances when we would want to see interest rates higher than the government because we would not be facing the same short-term political pressures."

When it came to the day of the rate cut, Ken Clarke and Eddie George went there separate ways, each to do what they do best. The Chancellor headed for Paris to deliver a speech in French and to lobby for Nigel Lawson's candidacy for the OECD secretary generalship. The Governor headed off to Basle for closed-door talks with other central bankers.

Thus unsettled, it was no surprise that the FT-SE 100 finished the week down 96.5 points net at 3,378.9, long-dated gilts lost 1¼ points and sterling lost 2.5 cents against the dollar and 2 pfennigs against the D-Mark.

When a small rate cut is not enough



Source: FT Graphite

The contrast with the US was stark. A rise of one-quarter point in the Fed Funds rate a week ago caused US markets to wobble but by early this week they had regained their poise. Apparently, they had bought the official line that a rate rise was a shot across inflation's bows.

High drama marked Monday's opening to the week. How would markets respond to the big sell-off on Wall Street the previous Friday? They started badly with the Footsie trading as much as 96 points down at one point in the day and gilts falling sharply. But the absence of selling by UK institutions, a recovery in gilts and a rebound on Wall Street brought partial relief.

First thing on Tuesday morning, the focus of the UK markets was yanked back to domestic questions by the base rate cut. But the long-term repercussions of the US rate rise will echo through global markets for months to come.

The week's turmoil, inevitably, has heightened the City's debate over where equities go from here. They are over-valued when judged, for example, by the index-linked gilts/dividend yield ratio, argues Ian Harnett, chief economist and market strategist at Société Générale Strauss Turnbull.

They are under-valued, according to Paul Walton, market strategist at James Capel. He looks back to the early 1980s when the UK economy was in a similar position about 1¼ years after a devaluation and at the end of a big bond rally. Then as now, the yield ratio of bonds to dividends had plenty of scope to improve. He asserts that a 3.25 per cent yield ratio, equivalent to a 3 per cent dividend yield, equates to a level of 3,750 on the Footsie.

Moreover, he expects dividends to grow faster than widely forecast as companies get into the reporting season over the next few weeks. Next year could bring a rate of dividend growth near 10 per cent.

Market outperformance of individual stocks this week was limited to a handful of companies, most of which were connected with bids. Most impressively, GKN, the vehicle parts maker, launched a hostile bid for the 53 per cent of Westland it does not own. The offer values the helicopter maker at £496m: GKN claims there is synergy between its armoured vehicles and helicopters.

The City was dubious about the logic, coming as it did only a week after British Aerospace said there was no reason to make both air and ground vehicles. GKN ended the week down 23p at 557p and Westland, fighting an improbable battle against such a large minority owner, ended up 29p at 333p. The betting is GKN will get Westland if it wants it, but at a higher price.

But it was back to feeding time by the end of the week. Governor George appeared to have learnt Tuesday's lesson. On Thursday evening he attended a sumptuous banquet hosted by the Lord Mayor to mark this year's tercentenary of the Bank. Unlike the Barclays manager who recently charged his client for accepting his lunch invitation, the Governor assured his City guests he would not charge them for the time of all his colleagues present.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993/94 High	1993/94 Low	
FT-SE 100 Index	3378.9	-96.5	3520.3	2737.6	Upset by bond weakness
FT-SE Mid 250 Index	4030.0	-116.4	4152.8	2876.3	Profit-taking
Alpha Airports	173	+33†	173	163	Strong debut
Amstrad	39	-8½	55	22	Profits warning
BOC	672	-61	770	590	Caution post-results
Enterprise	442	-31	521	397	Nomura "sell" note
GKN	557	-30½	615	434	Bid for Westland
LWT	747	+45	752	405	Increased bid from Granada
Owners Abroad	123	+23	148	59	Confident statement
Reuters	2032	+97	2060	1240	Enthusiasm after figures
Southern Elect	679	-52	745½	406	NatWest "take profits"
Westland	333	+28	338	121	GKN bids for company
Wilkes (J)	165	+22	168	44	Suter increases stake
Yorks-Tyne Tees TV	352	+80	360	110	Bid speculation

† Change based on issue price of 140p.

Serious Money

An upset for the banks

Alison Smith

Implausible as it may seem, it was hard not to feel a twinge of sympathy for the bankers who gathered at the Lombard Street headquarters of the British Bankers' Association to launch their revised code of practice on Tuesday.

No sooner had they explained how much the code had improved since the first edition was published two years ago, than the public relations exercise fell apart.

Its destroyer was Sir Bryan Carsberg, the director-general of fair trading.

Banks and building societies had, he said, "wasted an opportunity to make a step increase in consumer protection".

The most significant gap he identified was a failure to promise to give "best advice" to bank customers faced with an array of financial products, as the banks themselves move further into selling life insurance, mortgages, investments and pensions.

He was also concerned:

■ that the code did not properly deal with the practice of passing bank account details to other companies in the group, which might want to sell them other financial products;

■ about the delay of almost three years in introducing a system which will give customers 14 days' notice of the amount to be be deducted from their accounts for charges and interest payments; and

■ that it contained no specific requirement to notify customers personally when accounts became obsolete and better interest rates were available in other accounts.

"I intend to pursue these issues directly with banks and building societies," he promised. The Office of Fair Trading said that Sir Bryan had no direct powers to enforce these practices but would use "moral persuasion".

To judge by initial reactions, Sir Bryan will have to be very persuasive to win over the 289 institutions, which adopt the code voluntarily.

He was disappointed with the code. They were unrepentantly disappointed with the "miserly" nature of his comments about the improvements that had been made – such as the undertaking that customers will be given advance notice of bank and the tightening of procedures for passing customer information within a financial group.

Supporters of the code were unimpressed by Sir Bryan's comments about the selling of financial products. They said this subject was already covered in some detail within the Financial Services Act 1986 and the structure of regulation that it established.

But the code's deliberate exclusion of one of the activities in which banks and societies are growing and are competing most fiercely, raises a basic question about its purpose.

Developed as an alternative to the statutory code of practice recommended by the Jack committee on banking law, which reported in the late 1980s, it does set minimum standards for institutions' dealings with personal customers.

But the difficulty with a voluntary code, devised by banks and societies, however good their intentions, is that where there is a clash, competitive pressures will usually prove stronger than the code.

Competition will sometimes promote the good service that the code sets out. When this happens, competition is more effective in promoting customers' interest than the code could be.

Several high street banks and building societies are, for example, committed to introducing pre-notification of charges or have already done so. Yet the code's target date, in order to allow all to meet its requirements, is the end of 1996.

Improving the code's standards at the pace of the slowest can thus undermine its effectiveness and limit its value in supporting a customer's complaint.

In other areas, the code's provisions seem too weak or irrelevant to withstand the pressure to exploit a warm customer base.

Marks & Spencer, for example, has not signed up to the code in spite of the financial services it provides, because it wants to make full use across its operations of the customer information it acquires in financial services. The UK's most profitable retailer must believe that this advantage outweighs the possibility that some of its customers may decide against taking out an M&S personal loan on the grounds that the retailer has not adopted the banking code.

Similarly, Barclays, which used to insist on the right to pass the details of new personal bank accounts, to other parts of the group, would doubtless have dropped this condition earlier, if it had resulted in a loss of custom.

Supporters of the code would argue that the recent change in Barclays' practice was caused by the impending improvements in the code, and that this shows the voluntary system's effectiveness. Up to a point. But it is scarcely an advertisement for the stringency of the code that Barclays was able to remain a member of the scheme while continuing this practice.

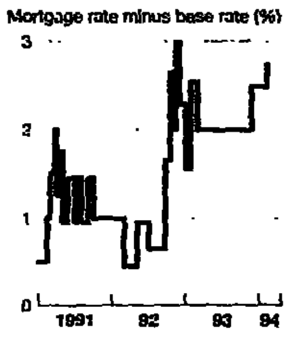
Competition could have a more direct impact on basic standards if banks would devote more effort to winning each others' personal customers, in particular through developing more trouble-free ways of moving a current account.

Then people angered by unexpected deductions from an account or by a flood of unwanted approaches from an insurance subsidiary would be inclined to switch to a rival bank.

AT A GLANCE

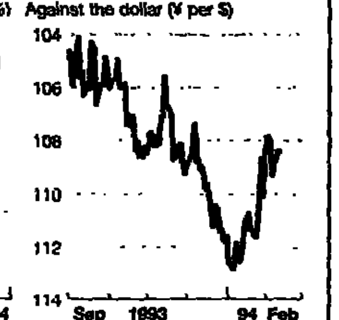
UK lending

Mortgage rate minus base rate (%)



Yen

Against the dollar (¥ per $)



Source: FT Graphite

Building societies widen their lending margins

Building societies have been taking advantage of the spate of base rate cuts in the past few years to widen their lending margins. At the beginning of 1991, base rates were 14 per cent while mortgage rates were 14.5 per cent. The chart shows that lending margins were at their widest towards the end of 1992 when, for a period, base rates were 7 per cent and mortgage rates 9.99 per cent. Lending margins are once again edging towards the same level. **Savings/mortgage rates, Page IV.**

Yen reflects trade doubts

The stronger yen since the new year reflects doubts about whether Japan and the US can solve their long-running trade dispute. Japan is under pressure from the US Congress to cut the size of its trade surplus by increasing access to important markets, particularly for cars and car parts. On Tuesday the Japanese parliament passed a Y15.25 trillion fiscal stimulus package which should lift economic growth and help narrow the trade gap. Yesterday President Clinton and Morihiro Hosokawa, the Japanese prime minister, met for trade talks but participants were sceptical about the prospects for much progress.

Scottish Widows' bonus rates

Scottish Widows has announced its new bonus rates on with-profits policies for this year, largely in line with the pattern set by other big life insurance companies. The bonus rate on the sum assured has been cut from 3.5 to 3 per cent, while the bonus on existing bonuses is down to 5.5 per cent from 6 per cent. Terminal bonus rates have been improved for all maturities, after a good year for world stock markets.

A 10-year endowment maturing on February 1, taken out by a man aged 29 paying £30 a month, is worth £6,651, up 0.5 per cent from £6,619 last year. A 25-year policy, on the same basis, would pay £61,479, up 4.6 per cent from £58,754 last year.

Pep money focuses on charges

Competition for Pep investors' money before the end of the tax year is still tightly focused on charges. Save & Prosper is halving its initial charge on its Managed Portfolio Pep to 0.75 per cent, for investments of more than £4,000 made between now and the end of the tax year. This also applies to the S&P Dealing Plan Pep.

Additionally, the initial charge on all the unit trusts available through S&P's Unit Trust Pep will be cut by one point to 4.5 per cent for the same period. Annual charges on all the Peps range from 1.25 to 1.5 per cent.

Prolific is cutting the initial charge on unit trust Peps from 5.25 per cent to 3 per cent, until June 1 this year, so that investors can take out Peps with the lower initial charge for both tax years.

Smaller companies suffer setback

Smaller company shares suffered a slight setback this week. The Hoare Govett Smaller Companies Index (capital gains version) fell 0.6 per cent to 1,883.91 over the week to February 10.

Wall Street

Nerves afflict the rampant running bulls

Sometimes, stock market investors can be difficult to please. Take the cases of General Motors and Ford. These two US car makers both reported big improvements in quarterly and annual earnings this week.

According to their latest results, Ford earned $719m (£492.40m) in the fourth quarter and $2.5bn in the full-year 1993. In the same reporting periods of 1992, Ford incurred huge losses. General Motors, meanwhile, made a profit of $1.2bn and $2.5bn in the latest quarter and full-year, respectively. Like Ford, GM bounced back from big losses in 1992.

In spite of these impressive recoveries, investors responded to the announcements this week by selling Ford and GM shares. On Wednesday Ford shares fell $1 to $68½, while a day later GM's stock dropped $1¾ to $62½.

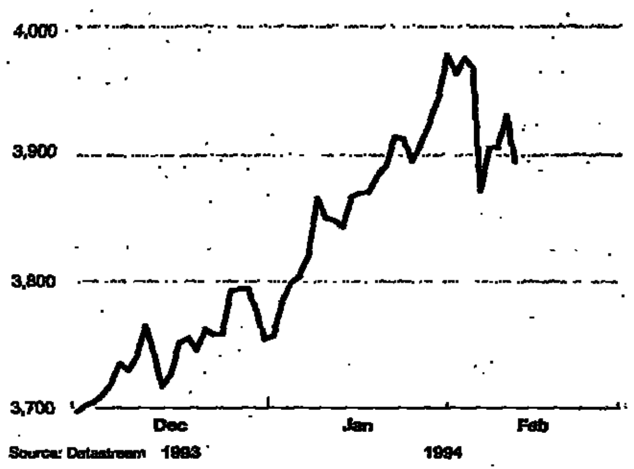
In both cases, analysts said investors reacted negatively to the earnings reports because the figures were in line with, but no better than, market forecasts. Investors wanted to be pleasantly surprised by the numbers, and they were not, so they sold.

This behaviour is just one sign that the stock market is getting, as traders might say, "a bit toppy". Equities are expensive by historical standards, and so long as they remain so, investors will require something out of the ordinary to keep buying stocks, especially those, such as Ford and GM, that have had a good run.

The selling of Ford and GM suggested something else: that investors' nerves are fraying as the greatest bull market in modern history staggers into its third year. The market may have recovered from last Friday's 96-point plunge, but the Fed's decision to raise interest rates for the first time in five years has clearly disturbed investor sentiment, to such an extent that the market looks increasingly vulnerable to sudden sell-offs.

Thursday was a good example of this. First, shares fell after Elaine Garzarelli, the high-profile market analyst at Lehman Brothers, said on an afternoon business television programme that she expected stocks to fall by between 4 per cent and 7 per cent following a Fed policy tightening.

Dow Jones Industrial Average



Source: Datastream

Garzarelli was saying nothing particularly astonishing or new. She was simply reiterating her long-held view – one shared by many analysts – that it would be natural for share prices to undergo a mild correction in the wake of a rise in interest rates.

Later on Thursday, prices fell further amid a rumour that Goldman Sachs, the large privately-held Wall Street securities house, had suffered severe trading losses. While Goldman quickly denounced the rumour as a "flagrant falsity", it was enough – coupled with the comments from Garzarelli – to leave the Dow nursing a 36-point loss at the end of the day.

The market's erratic behaviour this week (before Thursday's big decline the Dow had been up 35 points on Monday and up another 26 points on Wednesday) will probably be repeated in the coming weeks, or months. With the threat of further interest rate increases hanging over equities, share prices are likely to trade in a range between 3,850 and 4,000, one that is wide enough to allow the kind of big one-day movements seen this week.

For the Dow to break decisively through 4,000, either some unexpectedly good corporate news, or further improvements in economic conditions, would be required. Neither is particularly likely. The next quarterly reporting season is three months away, and the experiences of Ford and GM show how hard it is to impress investors these days.

As for the economy, it grew by almost 6 per cent in the last quarter of 1993, an unsustainable rate of expansion in the best of times, but one that will be particularly hard to improve upon in the first quarter of this year because the negative impact of President Clinton's tax increases is likely to start showing up soon in the economic data.

Investors will also have to start worrying about how the tightening of monetary policy will affect the business climate and the economy. At the moment, little impact is seen from the quarter-point rise in short-term interest rates the Fed engineered eight days ago.

Yet, few expect the Fed to leave it at that. Yesterday, the government announced a 0.4 per cent rise in January producer prices (excluding the volatile food and energy components). The increase was larger than expected, and immediately lowered the odds of another interest rate rise within the next month.

The next tightening might come as early as next week, when the January consumer price figures are released. Another rate rise, so soon after the first, is not a pleasant prospect for an increasingly highly-strung stock market.

Patrick Harverson

Monday	3906.32	+	34.9
Tuesday	3906.03	–	0.29
Wednesday	3931.92	+	25.89
Thursday	3895.34	–	36.58
Friday			

The Bottom Line

Upbeat news for Reuters

Reuters Holdings, the international financial information and news group, is one of the small group of UK-based companies which is indisputably world class.

The leap in the group's share price to a new high this week reflected not just the market's welcome of a four-for-one share spilt and strong annual results. It also demonstrated relief that doubts over growth prospects had been allayed by the group's bullish revenue forecast and upbeat view of its prospects for developing new products.

Although best known to the public as an international news agency, 90 per cent of Reuters' revenue comes from financial information and transaction products. The group's dominant position in the dealing rooms of the world's financial centres has made it the UK's biggest media group, with a market capitalisation in excess of £8.5bn.

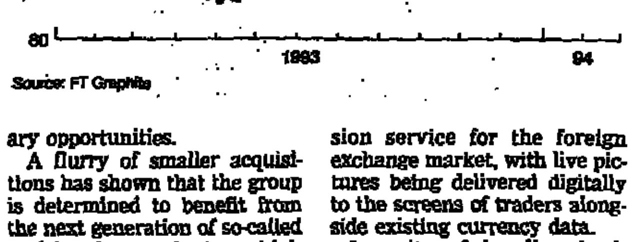
Reuters enjoyed rapid growth in the 1980s but its share price fell sharply in 1990, when the onset of recession caused banks and brokers to retrench. Shares have more than trebled since, and this week the group said it was confident that it would enjoy double-digit revenue growth this year, even although it would hold prices for the third year running.

Investors have also been encouraged by the aggressiveness with which Reuters has hit the acquisition trail, buying both to strengthen its core financial expertise and also to test the waters in other product areas.

Last month's agreement to buy Quotron, the US data services business, from Citicorp gave Reuters a 20 per cent share of the North American equity market – fulfilling a long-held strategic aim of the group. Last year's £350m repurchase scheme at £14 per share was welcomed by shareholders, but some were concerned that it betrayed a lack of expansionary opportunities.

Reuters' relative performance

Share price and index relative to the FT-SE-A All-Share Index



Source: FT Graphite

A flurry of smaller acquisitions has shown that the group is determined to benefit from the next generation of so-called multimedia products, which combine computer data, images and text. This year Reuters will launch a television service for the foreign exchange market, with live pictures being delivered digitally to the screens of traders alongside existing currency data.

In spite of handing back £350m to shareholders last year through the buy-back, Reuters still ended last year with net cash of £450m. It is this combination of good market position, advanced products and strong cash generation which makes Reuters look one of the best British bets to prosper in a multimedia world, if that is indeed where we are heading.

Such qualities do not come cheaply and Reuters shares are currently trading on a multiple of 24 times prospective earnings. Yet, as the chart shows, the group's shares have for most of the last year underperformed both the FT All-Share index as a whole and the media sector.

Reuters cannot look forward to the cyclical bounce in demand which many smaller companies hope for, and the media sector has been driven by both the hopes of a quick recovery in advertising volumes and hype over the relaxation in TV ownership rules.

It is also true that the group faces continuing pressure on prices and fierce competition from other groups, such as Telerate and Bloomberg, which have targeted its blue-chip customer base and high margins.

However, Reuters continues to roll out new products with impressive regularity. Dealing 2000-2, its automated foreign exchange dealing system, continues to grow steadily and the Equity Focus information service has won a considerable share of the London market. Globex, its automated futures trading product, is being held up by disagreements with the Chicago exchanges, but the Instinet equity trading system is showing strong growth in both volumes and profits.

Reuters' shares may be due for a period of consolidation. They attract a strong US following and can be volatile when markets are unstable, so buying at this price is not for the faint-hearted. But the group will continue to attract long-term investors. In what looks like an over-hyped sector, Reuters' qualities stand out.

Andrew Bolger

FINANCE AND THE FAMILY

Global markets and the investor: where next?

*In the wake of the Fed's interest rate increase, which caused stocks to plunge, **Michael Morgan** and **John Pitt** find strategists split*

High-riding investors could be forgiven for feeling giddy when stocks on Wall Street fell almost 100 points at the end of last week, their biggest drop since November 1991.

The cause was the decision by Alan Greenspan, chairman of the US Federal Reserve, to raise interest rates.

And although the increase was only fractional, it was enough to unsettle Asian and European equity markets thoroughly from the beginning of this week, giving professional and private investors plenty of cause to reconsider their positions.

Even before the Federal Reserve's move, global equity market strategists agreed that higher US rates were imminent. But their views differ sharply on how investors should respond.

On the one hand, Albert Edwards, of Kleinwort Benson, believes the markets are decidedly "iffy". He says investors should hold cash, the idea being to bank some of their recent profits so that they can rebuild their holdings when prices turn lower.

On the other, Sushil Wadhwani, of Goldman Sachs, issued a strategy note headlined "Cash remains trash". He argued that any equity price weakness in response to the monetary changes would be relatively temporary.

He remains optimistic about the outlook for equities in the coming year and says any fall in prices will represent an excellent medium-term buying opportunity.

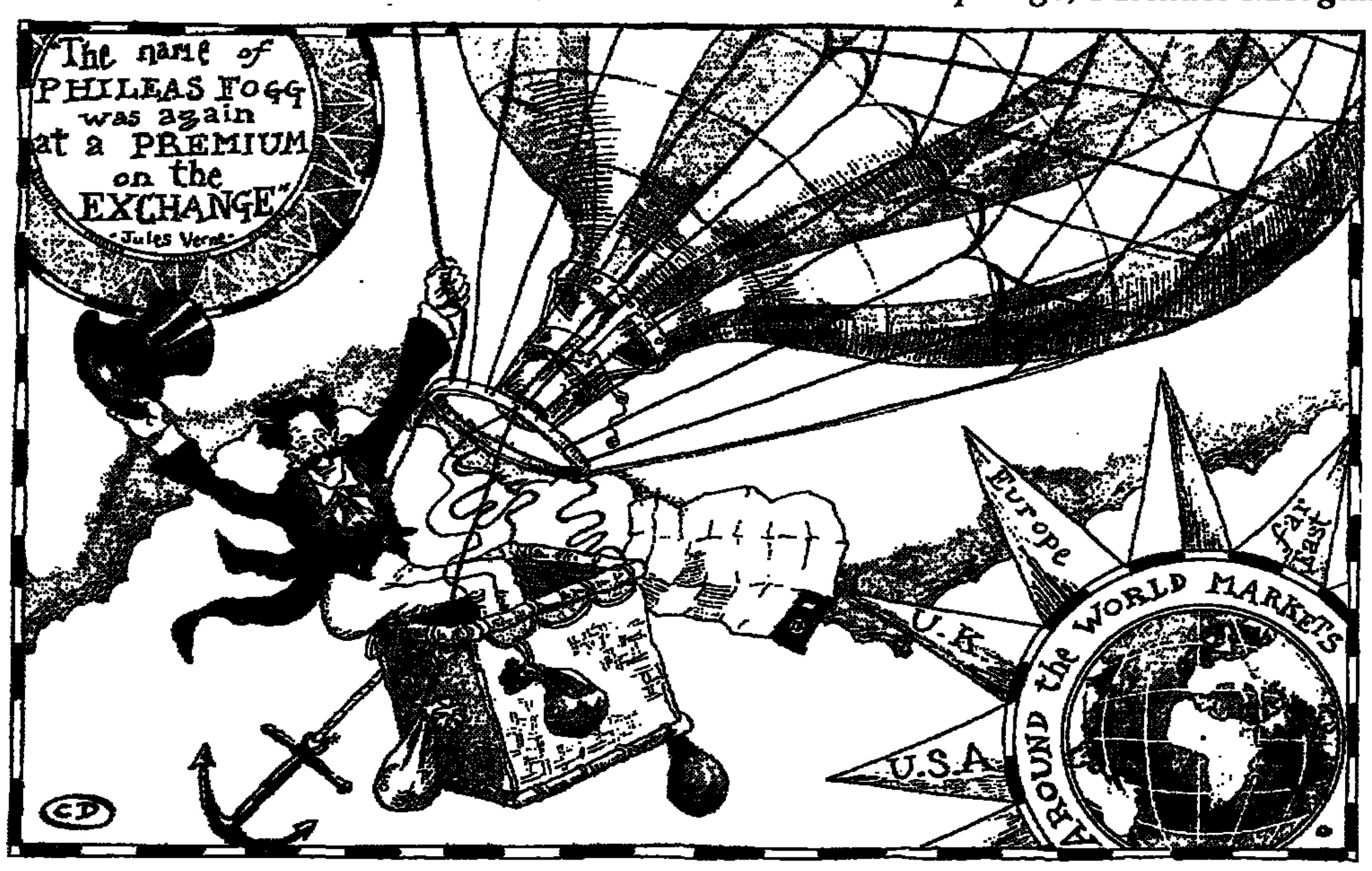
Moreover, Wadhwani points out that individual investors were notoriously slow to react to changes in interest rates.

He said: "Looking at the last three troughs in US rates, individual ownership of equities continued to rise even after interest rates had started to rise...

"Historically, individuals typically will have made only 10 per cent of the total eventual adjustment to a given change in interest rates after six months."

He claimed that because individual investors reacted so gradually, they still had not adjusted their portfolios fully to the decline in rates that had already occurred.

Consequently, he argued, even if rates began to rise, it was likely that individual ownership of equities would continue to increase over the next year.



"The accepted wisdom is that cash is trash. It will surely take more than a ¼ percentage point rise in interest rates before cash is king again," he added.

What, then, is the private investor to make of such divergent signals and how are fund managers choosing to react?

■ **Colin McLean, of Scottish Value Management**, is encouraged that the Fed acted when it did. Otherwise, he said, there could have been a nasty shock later. He added: "At least it has made some people aware of the risks in the equity markets and that it is not all a one-way trip."

McLean does not believe that the change in interest rates has changed the basic outlook for the UK or Europe.

He feels that stock market prices in Japan may recover later as its economy improves.

This, however, could have a depressing effect on other Far East markets which, he suggested, had been supported in the recent rally by a flow of funds from Japan as well as from the US.

■ **David Rosier (Mercury Asset Management)** says it has been clear for some time that world interest rates could not decline much further.

Consequently, not much more in capital gains could be expected from the bond markets.

Rosier thinks the rise in US rates can be viewed positively as indicating the Fed's view that the recovery of the US economy is now robust.

He adds: "We are seeing a sort of decoupling. The fact that interest rates have moved in different directions in the US and the UK underlines that the US economy is ahead of Britain's in the economic cycle.

"Over the past year or two, we have seen stock markets driven by liquidity and falling interest rates. People have been looking for a home for their cash and it has gone into stock markets."

Investors would look now for convincing evidence that companies were increasing their profits.

Rosier believes the performance of the UK market will be restrained in the short term until earnings' figures for 1993 provide evidence of corporate recovery. He recommends that investors should continue to hold relatively fewer stocks in the US relative to other markets.

While he has become slightly more optimistic about prospects in Japan, he still does not expect much of a recovery in corporate profits this year. But he feels the Pacific Basin region continues to offer some interesting long-term opportunities.

He warns, however, that the markets there are volatile and subject to the risk of profit-taking after last year's phenomenal performance – especially if US funds decide to repatriate their holdings.

Rosier thinks there is scope for further interest rate cuts in continental Europe. But while the area remains attractive, he says investors should take some profits while valuations remain high.

■ **Nick Train (GT Unit Managers)** believes a further ¼ percentage point rise in US interest rates is likely in the short term.

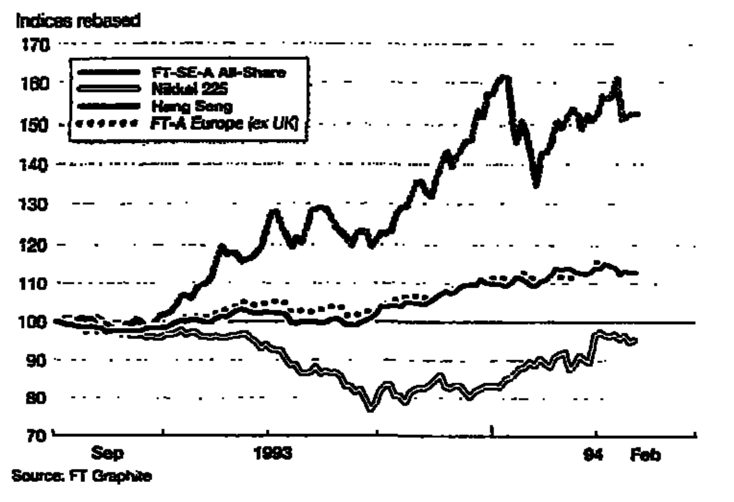
He says: "After a period of unsurprising volatility, we would encourage investors to think favourably about the US bond market and the US dollar, and not to re-adjust their thoughts too readily on returns from financial markets elsewhere."

He also sees potential problems in Asia and believes that, during the next nine to 12 months, signs that stock prices have become excessive will emerge in some Far Eastern markets such as Hong Kong, Malaysia, Singapore and Thailand.

The chart compares the relative performance of four markets: Hong Kong, Tokyo, London and Europe (excluding the UK).

It shows how the Hang Seng has outperformed Europe and the UK while Japan has lagged behind.

How the markets have performed



Source: FT Graphite

■ **Andrew Bell (BZW)** also believes the emerging markets of the Far East and elsewhere have become overheated because of the great demand for stocks in these relatively illiquid centres. He cautions that although emerging markets are a good long term prospect, this is not the best time to begin investing in them.

"There is always the danger of trying to be too clever," Bell says. "But our feeling is that, in the next six months, institutions might start taking out their money."

This would lead to falls in these markets which might temporarily be greater – because they are relatively illiquid – than could be justified from the fundamental value of the stocks.

■ **Mike Lenhoff (Capel Cure Myers)** suggests the global bull market has not ended just because of the Federal Reserve's move. Instead, he feels some of the froth has been blown off the top, prompting investors to ask basic questions about where they had been putting their money.

For instance, asks Lenhoff, do investors want to be paying 20-30 times earnings for German stocks when the recovery is unlikely to be coming through until 1995 at the earliest?

He thinks it likely, however, that US interest rates will rise later in the year. And, in Europe, he feels it remains right to focus on "peripheral" markets such as Scandinavia, Italy and Spain rather than those tied to the D-Mark. "Over the past two years, the countries which devalued have moved ahead and secured a definite corporate advantage in the export sector," he notes.

■ **Michael Hart (Foreign and Colonial)** believes private investors should remain cautious in present conditions and that interest rates on both sides of the Atlantic will continue to hold the key to the performance of the equity markets in the coming year.

He says: "In the US, the tide of interest rates has turned and we can see them going on up. The real question now is how far they will move – and that depends on how the economic data come out week by week.

"The other important influence is Germany, where the economy is still very depressed and where further interest rate cuts can be expected. The UK will certainly derive some benefit from further German rate cuts. But if US rates have to go up faster than expected, then Wall Street could cause some further vibrations.

"The chances are that UK rates will come down further. But bearing in mind that the market has had such a tremendous run, investors should not expect too much, even though the outlook for earnings is quite reasonable."

Hart believes the safest approach for private investors is to use the savings schemes run by investment trusts, which spread investments over time and over a large number of stocks.

FINANCE AND THE FAMILY

Savers to suffer from rate cuts

Societies keen to retain margins, reports Scheherazade Daneshkhu

Savers rather than mortgage-holders are more likely to feel the effects of Tuesday's base rate cut. Institutions usually pass on a full rate reduction to their savers but give mortgage-holders a smaller one. And while savings rates are usually cut immediately, mortgage rate reductions are often not implemented for existing borrowers until the next month.

Building societies appear reluctant to narrow their margins by maintaining savings rates while passing on a cut to borrowers. They were only too happy this week to take their cue from Halifax, the largest lender, which dismissed the base rate reduction as "a technical adjustment" too small "to cause us to re-think our mortgage or savings rates."

Halifax's standard variable mortgage rate remains at 7.64 per cent and that of Nationwide, the second largest society, at 7.74.

Meanwhile, three banks announced mortgage rate reductions, but at least 17 cut their savings rates. These included Barclays, Bank of Scotland, Co-Operative bank, National Westminster and Yorkshire Bank. According to Vicki Burn, of Moneyfacts, Yorkshire bank dropped savings rates mostly by the full quarter point while Bank of Scotland reduced them by between 0.25-0.35 of a percentage point.

Barclays made the reductions on its one-month and 90-day notice accounts (Capital Advantage and Select) while National Westminster cut more broadly, with rates on the Reserve accounts all down and that on its tax-exempt special savings account (Tessa) now down to 5.35 per cent gross instead of 5.61.

Other banks to have made reductions on some or all their savings accounts include AIB, Aitken Hume, Bank of Ireland (GB), Caledonian, Cater Allen, Charterhouse, Julian Hodge, Leopold Joseph, Northern, Tyndall and Ulster.

The mortgage rate reductions have come from Citibank, a centralised lender, TSB, and Kleinwort Benson's private banking arm.

Centralised lenders are well-placed theoretically to implement cuts when base rates come down because the cost of their borrowing is reduced. They do not share the same mortgage-funding constraints as societies because they can obtain funds from the money markets.

Citibank has reduced its standard variable mortgage rate to 7.4 per cent from 7.6 for new customers and from the beginning of April for existing borrowers.

TSB, which has been attempting to increase its share of the mortgage market, has cut its variable rate by 0.19 of a point to 7.45 per cent. New borrowers have to wait until March 9 to get the benefit. The bank says it has not yet made a decision on whether to cut interest rates for savers.

Halifax customers will not be seeing changes in mortgage or savings rates

Kleinwort Benson's private bank has one of the lowest variable rate mortgages on the market, and this will be cut to 7.25 per cent from 7.49 from March 1 for both new and existing borrowers. The mortgage is packaged into a Budget Account for long-term borrowing, which allows a draw-down facility charged at the variable rate.

There is also a Flexible Account package with a chequebook for immediate access to funds for short-term borrowing. Interest on the amount borrowed is charged at 1 percentage point above the standard variable rate.

Some banks and societies argue that they do not need to react to such a small base rate cut because there is a wide variety of mortgage discounts and fixed rates, which are below the standard variable rate and are proving popular with home buyers.

Mortgage broker John Charcol this week launched a variable rate mortgage of 2.75 per cent (7.7 APR), with funds provided by Britannia building society. The rate represents a discount of 5 percentage points off the society's variable rate and lasts until January 1 1995.

Borrowers can opt for a fixed rate in the second year or an 0.5 point reduction in the society's variable rate.

Completion fee is £195 and the mortgage does not depend on compulsory insurance-related products.

Cheltenham & Gloucester building society has abolished its application and valuation fees for new borrowers or those taking out a further advance with the society. This represents a saving of £135 to £450.

The society also operates a 3 point reduction in its variable rate, now 7.64 per cent, for the first year of a new mortgage for borrowers with a minimum deposit of 20 per cent.

■ The John Lewis Partnership is to cut the cost of its store cards from March 1. The annualised percentage rate on purchases will fall to 18 per cent instead of 19.5. The last change was on October 1 1992 – and there have been four base rate cuts, excluding this week's, since then.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
British Petroleum	Oil	Dec	886,000	(352,000L)	11.3	(-)	8.4	(10.5)
Fleming Claverhouse	InTr	Dec†	238.3	(189.0)	6.53	(5.54)	5.5	(5.35)
French Property Trust	InTr	Dec†	97.34	(73.29)	1.79	(1.51)	1.4	(2.3)
Grahams Rintoul Inv	InTr	Dec†	170.9	(85.5)	-	(-)	0.25	(-)
Hotspur Investments	InTr	Dec†	482.5	(354.7)	10.29	(8.8)	7.5	(6.6)
Java Trust	n/a	Dec†	61.39	(32.88)	-	(-)	-	(-)
Kleinwort O'seas Inv	InTr	Dec†	292.06	(224.64)	3.84	(3.54)	3.4	(3.3)
Lloyds Abbey Life	LfAs	Dec	323,600	(297,600)	31.1	(28.9)	18.0	(17.3)
Owners Abroad	Leis	Oct	5,800	(25,500)	-	(9.2)	3.5	(3.5)
P & P	SpSv	Nov	4,100	(7,870 L)	4.3	(-)	2.0	(1.4)
Ramsdens (Harry)	Leis	Oct	815	(808)	7.2	(5.4)	4.5	(4.5)
Reuters	Med	Dec	440,000	(383,000)	72.0	(56.0)	26.0	(21.2)
Scottish American Inv	InTr	Dec†	188.3	(152.2)	4.61	(4.73)	4.63	(4.35)
Seacon Holdings	Tran	Sep	1,720	(2,280)	11.5	(15.9)	5.7	(5.1)
Tullow Oil	OE&P	Dec‡‡	1,880	(113 L)	0.73	(1.12)	-	(-)
Updown Investment	InTr	Sep	544 L	(8 L)	-	(-)	-	(-)
US Smaller Co's Inv	InTr	Dec†	158.6	(137.8)	0.4	(0.09)	-	(-)
Waste Management Intl	OtSv	Dec	150,900	(143,700)	26.5	(23.3)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Amstrad	Elec	Dec	1,750	(5,610)	0.2	(0.2)
Betacom	Elec	Dec	103	(350)	-	(-)
Birse Group	B&C	Oct	1,400 L	(2,710 L)	-	(-)
Black (Peter)	Text	Dec	7,010	(5,730)	1.12	(0.93)
BOC	Chem	Dec$	8,900 L	(80,800)	-	(-)
British Telecom	Tele	Dec$	698,000	(705,000)	-	(-)
Bryant Group	B&C	Nov	14,600	(7,500)	1.4	(1.4)
Dalgety	FdMa	Dec	58,400	(58,200)	8.0	(7.85)
Elan	Phrm	Dec★‡‡	80,700 L	(13,200)	-	(-)
Ebief	Text	Oct	138	(244)	-	(-)
Fleming Enterprise Inv	InTr	Dec†	231.7	(170.7)	1.4	(1.3)
Fleming O'seas Inv Tst	InTr	Dec†	360.6	(271.0)	1.5	(1.5)
Grosvenor Inns	Brew	Nov	358	(319)	2.25	(2.0)
Heiton	BdMa	Oct‡‡	753	(845)	0.65	(0.65)
Jersey Phoenix Trust	OtFn	Dec†	3.05	(2.83)	1.25	(1.25)
Kleinwort High Inc Tst	InTr	Dec†	117.0	(84.5)	1.875	(1.875)
Warrants & Value Inv	InTr	Dec‡†	38.87	(24.18)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ‡ Figures since launch last March. § Net asset value per capital share. ‡ At launch last June. ★ Figures for nine months. $ Figures for 3 months. §§ Figures for 27 weeks. ‡‡ Irish Punts & Pence.

RIGHTS ISSUES

Grosvenor Inns is to raise £5.2m via a 3 - 5 at 120p rights issue of 4.87m shares.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Abtrust is to raise up to £15m via a placing of shares.
Barlo is to raise IR£8.46m via a placing of 7.5m shares at 88p.
Bletchley Motor Group is to raise £5m via a placing and open offer of 1.53m shares at 340p.
Edinburgh Fund Managers is to raise about £75m via a placing and offer of 50p shares in the Edinburgh Inca Trust.
Foreign & Colonial Ventures is to raise about £30m via a placing of two parallel venture capital funds.
Graham Group is seeking a listing via a placing and offer of 114.6m shares.
Inspec Group is to raise about £50m via a placing and offer.
Parkside International is to raise £12m via its flotation.
Radstone Technology is to raise £7m via a placing.
Silvermines is to raise about IR£7.4m via a placing and open offer of 20.35m shares at 43p.
Trifast is to raise £15.7m via a placing of 7.87m shares at 200p.
Tullow Oil is to raise IR£8m via a placing and offer of 27.3m shares at 22p.
United Carriers Group is to raise £7m via a placing.

The Week Ahead

All eyes on Glaxo

On Monday Westminster Health Care, the nursing home group which was floated in April, is expected to announce a sharp rise in profits at the interim stage. For the six months to November, pre-tax profits are estimated at £4.9m compared to £1.6m. The previous figure was stated after interest of £2.7m, but the £64m proceeds from the float will have cut that bill.

Hanson, the Anglo-American conglomerate, reports first-quarter results to the end of December on Tuesday. There is a wide range of forecasts because of the many uncertainties involved. The cost of the US coal strike, which has now ended; the severity of the negative swing on interest charges; the contribution from Quantum Chemical, acquired at the end of the last financial year; and the effect of exchange rates. However, hopes are for a modest underlying rise from last time's £216m, excluding £20m of disposal profits.

Glaxo's half-year figures on Thursday kick off the UK's pharmaceuticals sector results season. With SmithKline Beecham the following week, and Wellcome and Zeneca in March, analysts will be examining the sector's fortunes in an unfamiliar light: that of the yield. Until the early 1990s, the drugs sector was the darling of the capital growth investors. But the threat of cost-cutting in government healthcare budgets has stopped that in its tracks.

This means that all eyes will turn first to Glaxo's proposed interim dividend. Forecasts range from 8p to well over 9p, compared with last year's 7p. Even a rise at the lower end of the scale would be a powerful reminder that a yield of almost 5 per cent compares favourably with a FT-SE 100 yielding less than 3.5 per cent.

Pre-tax profits of perhaps £970m, against £819m, are expected to reflect falling interest income and tighter profit margins.

Alfred McAlpine on Thursday will become the first of the larger contractors to announce annual results, for the year to October 31. The big question is by how much Oliver Whitehead, the new chief executive, will write down the company's assets following the departure of Graeme Odgers.

Profits should have benefited from the recovery in the UK housing and US construction markets and are expected to be in the region of £6m before write-downs. This compares with pre-tax profits £3.6m the previous year.

Kleinwort Benson, the merchant bank, also reports annual profits for 1993 on Thursday. Analysts are expecting a near doubling of profits to around £90m before a £10m profit on the sale of Sharps Pixley, the bullion business sold to Deutsche Bank for £17.6m.

Wickes, the DIY and timber retailer, is expected on Thursday to announce a strong increase in full-year profits to between £17m and £19m, more than double last year's pre-exceptional figure of £7.8m. Analysts are keen to hear whether Wickes is benefiting from the upturn in the housing market, but are concerned about the impact of the recession on its operations in continental Europe.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Anglo & Overseas Trust	InTr	Thursday	1.75	5.1	1.75
Bank Leumi (UK)	Bank	Thursday	4.5	12.5	4.5
Baring Tribune Inv Trust	InTr	Monday	1.7	4.75	1.7
Burlington	OtFn	Tuesday	-	0.5	-
County Smaller Co's Inv	InTr	Tuesday	1.125	1.875	-
Flying Flowers	RetG	Monday	-	-	-
Inoco	Can	Friday	-	-	-
Kleinwort Benson	MrBk	Thursday	5.3	10.7	6.0
McAlpine (Alfred)	B&C	Thursday	3.0	3.5	3.0
Mersey Docks & Harbour	Tran	Tuesday	2.5	5.0	2.65
Olim Convertible Trust	InTr	Monday	4.2	4.6	4.3
River Mercantile Trust	InTr	Thursday	-	-	-
St. Modwen Properties	Prop	Tuesday	-	-	-
Second Market Investment	InTr	Monday	-	2.0	-
TR Pacific Investment Trust	InTr	Tuesday	-	0.35	-
Trenchenwood	Prop	Wednesday	-	-	-
Trust of Property Shares	InTr	Wednesday	-	1.5	-
Vardon	L&H	Wednesday	0.25	0.5	0.3
Vektra Corp	Dist	Thursday	-	-	-
Wickes	BM&M	Thursday	-	-	0.2
Wise (Leslie)	Text	Wednesday	1.75	2.25	1.75
Yeoman	InTr	Wednesday	-	-	-
INTERIM DIVIDENDS					
Alumasc	BM&M	Thursday	3.7	8.05	-
Armitage Brothers	FdMa	Tuesday	2.6	3.6	-
Benson Group	EngV	Wednesday	0.1	0.2	-
British Airways	Tran	Tuesday‡‡	7.54	-	-
Castle Cairn Investment Trust	InTr	Monday	-	0.825	-
English & Caledonian Inv Tst	InTr	Monday	1.25	2.75	-
Fosters Brewing	Brew	Monday	-	-	-
Glaxo Holdings	Pharm	Thursday	7.0	15.0	-
Hanson	Divl	Tuesday*	2.85	2.85	-
Howard Holdings	B&C	Tuesday	-	0.5	-
International Comm & Data	SpSv	Thursday	-	-	-
Mid Wynd Intl Inv Trust	InTr	Monday	2.4	3.6	-
Pantheon Intl Participations	InTr	Thursday	-	0.5	-
Roxspur	BM&M	Monday	-	-	-
Second Alliance Trust	InTr	Monday	12.5	26.5	-
Stanelco	Elec	Monday	-	-	-
Throgmorton 1000 Smallest	InTr	Monday	-	2.5	-
Verity	Elec	Monday	-	-	-
Westminster Health Care	Hlth	Monday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ = 3rd Quarter figures. * 1st Quarter figures.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Anglia Television	637§§	644	484	292.0	MAI
Bennett & Fountain ‡	2*	3¼	4	2.10	Marlowe
Central Ind T/V ‡	2800*	3055	2168	758.00	Carlton Comms.
LWT	750	747	585	776.00	Granada
Molynx	25.3	23½	23	5.11	Silvermines
Reject Shop	22.4	36	59	2.5	Upton & Southern
Westland	290*	333	305	498.0	GKN

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 11/2/94. §§Shares and cash.

FINANCE AND THE FAMILY

Send for the doctors

***Joanna Slaughter** on independent adviser Hill Martin. Third of a series*

The Independents

Peter Smith

Name of financial adviser:	Hill Martin plc.
Address of head office:	Cheltenham House, 24 Clare Street, Bristol BS1 1YA
Date firm was established:	1981
Regulator:	Fimbra
Funds under management:	£50m
Number of clients:	Investment management, 180; others, 1,650
Number of offices:	2
Minimum investment accepted:	£25,000 (discretionary)
Services offered:	Full financial planning
Fees:	£90 to £200 an hour

Peter Smith has no hesitation in identifying what he thinks sets Hill Martin apart from the pack of independent financial advisers: "We are managed from the front by Mark Ormerod and Nicholas Mercer, the two founders of the firm; there are no fat cats here trying to cream it off. And we are completely client-orientated.

"Financial diagnosis is very like medical diagnosis. The good doctor will diagnose the trouble only when he has thoroughly examined the patient, and we take the view that we cannot help clients until we know them."

Smith, the regional director, joined Bristol-based Hill Martin in 1990, having previously been technical director of Sedgwick Personal Financial Management and divisional director of personal financial planning at accountant Ernst & Young. He admits he had "a terrible crisis" in joining a smaller firm. "I sorted out this out by going in and looking at the files. Mark Ormerod just said 'help yourself.' By the end of half an hour, I was satisfied."

Clients who may be worried about putting their investments with any but household names do not have the same opportunity to scrutinise the books, and Smith sympathises with their fears. "If you are N.M. Rothschild, no one asks a question about it. If you are Hill Martin, they do, and I don't blame them. That is where the Levitts of this world have got us.

"I had one client with £165,000 who was hesitating. At last, she said: 'I see; I just have to trust you.' I said 'Yes, you do, and you can'."

While Hill Martin's head office remains in its original rabbit warren of rooms in Bristol's financial heart, the firm has shifted course somewhat over the years, not least in its whole-hearted adoption of a fee-paying structure. Initially, some clients paid commissions; today, all new clients are charged on a time/cost basis.

Fees are agreed after the first meeting with clients. Smith explains: "We write and quote a fee and then say whether commission offset might be applicable. On medium to small cases, we always take commission and offset it, because of the VAT position. On big cases, we prefer benefit enhancement to see if we can reduce the costs of the product to the client." VAT is payable on fees but not on commission.

Client fees average £750 to £1,500, although those for more substantial cases are likely to be in the £2,000-3,000 bracket. Clients usually are sent a questionnaire before the initial meeting, although Hill Martin is selective about who gets this quite detailed form – which closes with the question: "At what age would you like to retire/achieve financial independence?"

Once a client's financial situation has been analysed, and the Hill Martin recommendations put forward, there is a further meeting before the advice is implemented.

There are four linked operations: financial strategy planning; investment management; pensions; and residential and commercial finance. The aim is to offer a one-stop service.

Clients' affairs are reviewed regularly and they receive market commentaries and bulletins during the year. Smith says: "What we are interested in is long-term relationships with clients. If they don't want that, they shouldn't come here."

Smith expects that future growth will come from expanding the firm's investment management, financial planning and pensions departments. Indeed, investment management has been boosted already by the arrival of Michael Rose, formerly investment director at ANZ Grindlays Private Bank; he joined Graeme Farquharson, the investment director, in 1992. Farquharson himself has managed portfolios for Hill Martin since 1983.

Smith says: "On portfolios of up to £50,000, we put clients into unit trusts. On sums over £100,000, they are all in Savile Row suits." The Savile Row brigade receive four valuations a year; off-the-peg investors get two. The annual investment management fee is 1 per cent.

Since September 1992, Hill Martin has compiled portfolio performance statistics – historic yardsticks that should be increasingly useful as standards of comparison for prospective clients. Strangely, however, they seldom ask to see these figures, which illustrate the performance that has been achieved for others.

At the end of last year, Hill Martin's standard growth portfolio was showing a compound annual return of 29.92 per cent since launch; the balanced portfolio an annualised return of 28.34 per cent; and the income portfolio one of 20.77 per cent. "The portfolios are designed to go with other products like zero preference shares, gilts and National Savings that don't require active management," says Smith.

Like all investment managers, he has had mixed fortunes. "I was looking for a low-risk investment for our clients recently and, at launch, I picked on Exeter Zero Preference fund. It was 25p with a 2p discount. It has had something like a 65 per cent capital appreciation. I have a client with £50,000 in it, and it has paid for his past two Christmases. We drew £5,000 in the first year and £6,000 this year.

"But I also had a client who bought Exeter High Income at 53p and, the next time I looked at it in the valuation, it was 37p."

Hill Martin clients typically have assets of around £500,000 (including their house) and an income of £30,000 to £50,000, according to Smith. He adds: "We are really only talking about a reasonably wealthy section of the population."

FINANCE AND THE FAMILY

Funds with a Latin flavour

Bethan Hutton surveys new issues and finds Latin America is flavour of the month

Latin America seems to be investment trust flavour of the month. Edinburgh Fund Managers, Morgan Grenfell and Templeton are launching London-listed trusts specialising in the area, while Gartmore has a Dublin-listed trust aimed mostly at institutional investors.

As emerging markets in the Pacific rim have had such a good run, a growing number of international investors are switching their attention to Latin America.

Economic reforms, and the passing of the North American Free Trade Agreement, have added to the attractions of the area. And although British investors have been less active in the region so far than their US counterparts, that is showing signs of changing.

EFM is calling its fund the Inca trust, and hopes to raise between £75m and £100m. It will invest in a mix of small, medium and large companies in Mexico, Argentina, Brazil, Chile, Columbia and Peru.

EFM already manages a unit trust, the Edinburgh Latin American fund, which has a similar investment brief and is the third-best performer (of 150) in the international equity growth sector over the year to February 1 (source: Micropal). The public offer period for Inca is due to open in mid-March for two weeks. Minimum investment is £1,000 and warrants will be attached on a one-for-five basis.

Morgan Grenfell's Latin American investment trust aims to raise more than £100m, with a placing and public offer which opens in March. Full details have not been announced yet. Templeton has just announced its plans for a trust, which will be on offer to the public in April.

□ Foreign & Colonial, manager of the oldest and largest UK investment trust of the same name, is to set up a fund concentrating on its own backyard for the first time in its 125-year history.

To date, all Foreign & Colonial trusts have had a substantial overseas element. Now, though, F&C is launching a purely UK fund, the Income Growth investment trust. This will be aimed largely at personal equity plan investors.

It will invest in companies selected from the FT-SE 350 index, with the aim of producing long-term income growth above the rate of inflation and capital growth greater than the index.

The yield is expected to be in line with the index, now about 3.3 per cent, and dividends will be paid quarterly.

One warrant will be attached to every five shares in units of 500p, and the shares and warrants will be traded as a package for the first 43 days so that the warrants also can be transferred into a Pep.

The public offer is open from March 1 to 22 and minimum investment is £2,000. Initial expenses will be capped at 4 per cent. There will be no initial charge for Pep investors who buy during the subscription period, but there is an annual management charge of up to 1 per cent.

There is an annual Pep charge of £60, and the normal initial Pep charge (for those who invest after the offer for subscription has closed) is £50.

Because of the timing of the launch, investors can transfer shares into a Pep either side of the tax year-end; thus, they can invest up to £12,000 through a Pep but pay only one annual fee and no up-front fee. The new fund will also be included in the F&C savings scheme.

□ Existing trusts also are cashing in on the investment trust boom to raise more money. Templeton Emerging Markets, the largest fund in the sector and best performer over three years, is making an issue of conversion shares with warrants attached. Full details are not available yet but the public offer is likely to be during March.

□ Abtrust is raising new money for its New Dawn trust, which invests in the Far East (excluding Japan). It is issuing up to £45m worth of conversion shares, two-thirds of which have been placed with institutions already.

The remaining £15m worth are available in a public offer for subscription, open until March 2. Minimum subscription is £250. The C-shares will be converted into ordinary shares as soon as the new money is invested, and one warrant will be issued for every five new ordinary shares.

How well is your portfolio doing?

Barry Riley considers a test of its strength

Did your professionally-managed portfolio achieve a total return before tax, but including both income and capital growth, of 26 per cent in 1993? If so, says Robert Brown, you can be satisfied. If not, you might want to hear the excuses of your investment manager.

Private clients of investment managers and stockbrokers have, for too long, been fobbed off with inadequate information about how well their investments have performed, says Brown, who is deputy managing director of Cantrade Investment Management.

To fill the information vacuum, he has devised the Cantrade Calculator: a three-part test of portfolio performance. In effect, he is proposing what professional investors – such as those who run company pension funds – call a *benchmark*, a measure of reasonable performance.

There are both good and bad reasons why private client portfolio managers have been so coy. They will probably argue that their clients have such diverse requirements that any comparisons would be unfair and misleading. After all, the clients may range from aggressive gamblers to the fabled widows and orphans, with all shades of temperament and financial circumstances in between. Comparisons of individual portfolio figures with averages or benchmarks could create discontent if some clients have done worse than others in a particular period.

It is widely suspected, however, that investment managers are inhibited mainly by their wish to cover up poor and fluctuating performance. In the ultra-competitive world of company pension fund management, where the figures *are* widely available, there has been a ruthless concentration of business in the hands of a relatively few successful managers. Dozens of others have lost out. In private client management, the sleepier firms do not want the same competitive climate to develop.

Cantrade is a London offshoot of Union Bank of Switzerland, and emerged from the private client side of stockbroker Phillips & Drew. It manages about £800m for private clients and charities and provides them with a comprehensive quarterly report, much on the lines of those which institutional managers give to pension funds.

He has, therefore, developed a three-part test:

■ Compare the results against the risk-free alternative of simply leaving all of the money on short-term deposit. There is no point in taking the additional risks associated with stock market investment unless there is a superior return.

■ Compare the portfolio's total return with the rate of inflation. Is its value being preserved in real terms?

■ Look at performance against the market. Cantrade says UK performance should be measured against the FT-SE-A All-Share index; overseas assets against the FT-Actuaries World index (in sterling); and defensive assets against the FT-Actuaries Over 5 Years Index-Linked gilts index.

The first two yardsticks were scarcely very demanding in 1993 when inflation and interest rates were so low and market returns so high, but they might be more testing in other circumstances.

A key aspect of the Cantrade Calculator is the benchmark provided by the model portfolio. This holds 50 per cent in UK equities, 20 per cent in overseas equities, and 30 per cent in defensive assets. The latter may include fixed-interest gilts and overseas bonds, together with cash, but Cantrade regards index-linked gilts as the "definitive" defensive asset category.

On the basis of the underlying index figures, the benchmark returned 8 per cent during the final quarter of 1993 and 26 per cent for the year as a whole. Brown claims this is a fair measure of how a typical private client portfolio should have performed before tax and costs, including management charges. "Capital gains tax means that active strategic switching is not economic," he says. "This underlines the importance of a balanced core strategy."

Calculations made on the basis of historical figures show that the model portfolio would have returned 18 per cent a year on average in nominal terms over the past two decades, or about 9 per cent in real terms. The Cantrade Calculator will be updated quarterly and published for private investors holding diversified portfolios.

FINANCE AND THE FAMILY

All the facts you can take

***Kevin Goldstein-Jackson** samples two screen-based information services*

I am an information junkie. I read three daily newspapers, five Sunday papers, and subscribe to 48 magazines and three newsletters.

Unfortunately, I tend to remember only the more unusual items – such as the claim that elephant trunk, if cooked for 16 hours, tastes rather like roast beef. Or that licking a cane toad can cause hallucinations due to the bufotenine toxin it contains.

I still remember the sad report in 1976 of the Japanese businessman who was killed on a golf course when lightning struck the metal zip on his trousers. I have favoured plastic buttons ever since.

In an average year, I look at more than 300 company reports to shareholders. Did you know that the McVitie's factory in Manchester can produce 3m Jaffa cakes a day for United Biscuits? Or that it takes cleaners a month to wash all 3,678 windows of the Transamerica pyramid in San Francisco?

The problem with looking at millions of facts and figures is that you can get an information overload. It can be difficult to recall what is useful rather than merely interesting.

It was, therefore, with some trepidation that I accepted an offer recently to try out two more sources of information: Market-Eye* and Financial Alert**.

I already use the telextext services displaying share prices and financial news on BBC-2 and Channel 4, but Market-Eye promised much more. It displays real-time share price information direct from the London Stock Exchange. Last month, it added an "up to the minute news service".

I was concerned that I might be tempted to sit in front of the screen all day, watching the "moving price ticker" or the "high" and "low" prices for more than 3,000 equities. I feared I might turn into a gambler, trying to beat the professionals by using the screen information to buy and sell very rapidly in an attempt to make quick profits.

So, Market-Eye was installed in a bedroom next to my study. That way, I thought, I would be less likely to become addicted to the screen.

I was pleasantly surprised at how easy it was to use the system. Market-Eye simply plugs into an ordinary television aerial socket, so there are no expensive connection costs. The keypad is designed very well for adult fingers and it is possible to sort through hundreds of pages filled with real-time data including foreign exchange details, SEAQ International, "shares on the move," gilts – even a list of suspended equities, with the dates of their suspension. The news service includes corporate results and a variety of company announcements.

Rather than wasting hours, I find Market-Eye is actually saving me time. By pushing a few buttons, my portfolio is displayed on the screen with the latest information. It is also possible to download certain information onto a personal computer.

The only drawback is the cost. Buying Market-Eye – comprising monitor, receiver and keypad – costs £1,521.63 (inc VAT). To this must be added an annual subscription charge (including maintenance) of £1,051.63.

Financial Alert is especially helpful for people who travel a lot and do not have easy access to a teletext service. It is a portable, hand-held machine rather like a large pocket calculator which works on rechargeable batteries.

Using the keys, a small, built-in screen can display company prices for the FT-100 as well as around 800 other British listings. There is also a news service, although the size of the screen restricts the amount that can be provided.

Financial Alert costs £199.50, plus a "one-time connection charge" of £75. Various monthly charges apply, depending on the services used, but there is a minimum monthly fee of £82.50.

Mind you, despite these technological wonders, I still maintain my craving for printed facts. The Transamerica report to shareholders reveals that the average American consumes 25lb of bananas, 24lb of lettuce, 19lb of apples and 3lb of pears each year.

**Market-Eye, ICV, Pellipar House, 9 Cloak Lane, Cannon Street, London EC4R 2RU. Tel. 071-398 1000.*

***Financial Alert, Avon House, 360 Oxford Street, London W1N 9HA. Tel. 071-499 0209.*

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Berisford Intl	BM&M	8,462,500	10,155	2
Boot (Henry)& Sons	BCon	4,000	14	1
Border Television	Mdia	11,000	20	1
Cable & Wireless	Tele	60,000	320	1
Cater Allen	OthF	2,838	18	1
Chillington Corp	OS&B	1,350,000	540	1
Chubb Security	SSer	100,000	400	1
Denman's Electrical	Dist	3,300	18	1
Excalibur Group	Eng	800,000	364	1
Gibbon Lyons	Chem	25,000	17	1
Grampian Holdings	Phar	14,000	25	1
Greenacre Group	Hlth	125,000	18	1
GT Japan Inv Tst	InvT	14,680	43	1
GWR Group	Mdia	166,436	1,403	4*
Halma	Eng	5,700	15	1
Ibstock Johnsen	BM&M	13,448	12	1
Jones & Shipman	Eng	40,000	11	1
London Scottish Bnk	OthF	201,000	239	3
Marks & Spencer	RetG	5,026	22	1
Rank Organisation	L&HI	2,148	23	1
Rolfe &Nolan Comptr	SSer	4,000	93	2
Savills	Prop	1,913,999	1,740	8
Smith (DS)	PP&P	60,000	300	1
Smith (WH)'A' share	RetG	114,226	577	2
South Wales Elec	Elec	3,978	32	1
Southern Water	Watr	20,000	134	1*
Stirling Group	Text	75,000	47	1
Vodafone	Tele	75,000	433	1
West Trust	FdMa	100,000	45	1
Wood (JD)	Prop	60,000	63	1
PURCHASES				
Bullough	Eng	10,000	18	1
Cakebread Robey	BM&M	40,000	20	1
Cakebread Robey	BM&M	179,568	90	1
Danka Business Syst	EE&E	5,000	17	1
Elliot (B) (CCR)	Eng	10,000	13	1
Excalibur Group	Eng	100,000	46	1
Gibbs Mew	Brew	2,600	10	1
Hogg Group	Insu	15,000	21	3

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 31 January - 4 February 1994. Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

The sale of almost 8.5m shares in Berisford International at 120p by the Chicago-based Pritzker family looks curious, given that they were trading at almost double that a short time later. The Pritzkers apparently were keen to crystalise a capital loss to offset huge gains on other investments.

☐ Rodney Olsen, finance director of Cable & Wireless, the international telecommunications group, has sold 60,000 shares at 533p. C&W's share price has been under some pressure since, partly due to an anticipated fall in revenue from ending higher-rate morning calls.

☐ Sir Ernest Harrison has been raising cash on a large scale. He sold 100,000 shares at 400p in Chubb Securities and 75,000 Vodafone shares at 577p. Both companies were part of the Racal empire before they were de-merged and Sir Ernest remains chairman of both.

☐ Shares of GWR Group, the radio company have outperformed the market by more than 120 per cent in the past year and Lord Stokes, a non-executive director, has sold 25,000 at 931p, a significant reduction in his holding.

Colin Rogers,
the Inside Track

FINANCE AND THE FAMILY

Thirsting for knowledge ... but meeting the cost requires sensible forward planning

A question of class

John Authers on paying for private schools

Social barriers to independent education are falling but finance is still a formidable obstacle for many parents, according to a survey published this week for the Independent Schools Information Service. It suggested that the hereditary class system said to dominate public schools had loosened greatly: more than half the pupils in private school now came from homes where both parents were state-educated.

That, however, appeared more to reflect the distribution of wealth in modern Britain rather than any new open-door policy, the report indicated. School fee inflation has run ahead of retail price inflation consistently for the past decade.

The Isis figures – produced by the polling organisation Mori – showed that, since 1989, the proportion of private school pupils from families in social class A rose from 15 to 22 per cent, while representation from the lower classes C, D, and E dropped from 37 to 30 per cent.

Rising school fees seemed to be the main cause. Last year, average day school fees rose by 8.5 per cent following increases of 12.7 per cent in 1992 and 12.5 per cent in 1991, taking average term fees over that period from £995 to £1,368.

Parents increasingly are realising they need to plan for this; the Isis survey showed that the proportion making advance plans to pay fees increased from 25 per cent to 35 per cent over the same period. This will have helped the financial services industry, which has used fee plans to sell life assurance endowment policies. But most parents (82 per cent) pay the fees using only their salary and other personal income.

Unless more parents plan in advance, independent schools are likely to remain exclusive. The schools themselves now seem to realise this. The draw-down loan scheme run for Isis by Claremont Savile, the independent adviser, has been revised several times in the past few years and now offers parents loans from two different companies: Citibank Mortgage, the centralised lender which joined this week, and the Halifax. This scheme will be most attractive to those with a house worth significantly more than the outstanding mortgage and who have not built up savings plans in advance.

Citibank offers a variable rate of 7.3 per cent, capped until the year 2000, at 9.99 per cent. It includes two years' free unemployment cover and allows monthly over-payments for those who can afford them and wish to protect their equity. The company will lend up to a level where 85 per cent of a property's value is mortgaged.

Repaying the mortgage, even with interest rates at their present low levels by historic standards, often makes sense as it is difficult to get a return of 7.3 per cent on alternative investments. Citibank allows repayments in arrears and, as with the existing Halifax scheme, allows borrowers to draw down funds up to four times each year, when fees become payable. The arrangement fee is £195, with a minimum advance of £10,000 and a maximum of £150,000.

Perhaps the most attractive feature is that borrowers may repay their loan using any savings vehicle. They are not restricted to endowment policies, which Claremont Savile does not recommend because they are tax-inefficient and inflexible. Instead, it steers parents towards free-standing additional voluntary contributions – if they have spare pension capacity – or personal equity plans. It should be noted, however, that Claremont Savile takes commission from any investments which it buys for clients.

It is always better to avoid problems once your child is ready to go to school by saving in advance. Collective equity schemes, such as investment trust savings schemes, should allow strong growth over a long period. If, eventually, you send your child to a state school, you can always spend the money on something else.

Apart from greater planning of finances, more parents are shopping around for schools. They visit more of them and apply for more prospectuses than when the last similar survey was carried out in 1989; and 15 per cent identify exam result "league tables" – now published by the government and compiled separately by several newspapers, including the *Financial Times* – as a factor.

State schools, which generally had a bad press last year, should not be ruled out, however; finding a good state school could save you thousands of pounds. But the best news for parents who do not trust the state sector could be that competitive pressures are forcing independent schools to keep the lid on their costs and fees.

Isis believes the average rise in fees for this academic year, compared with last, is between 3.5 and 5.0 per cent: still above the inflation rate but representing a much lower real increase than in previous years. Bursars also seem confident that further cuts can be made next year.

FINANCE AND THE FAMILY

Maverick that made good

***Debbie Harrison** charts National Mutual's progress from the days when Keynes was boss*

National Mutual's reputation as an investment maverick goes back a long way. The chairman from 1921-38 was John Maynard Keynes, the man who helped shape post-second world war economic policy. He took National Mutual into equities at a time when the sector was shunned by most life offices.

More recently, the company re-shaped its core business structure, moving in the mid-1980s from endowment policies – which it felt were unsuitable to repay mortgages – and into pensions. Once this decision was made, the transition period was almost indecently quick. During the October 1987 stock market upheaval, National Mutual pulled out of the mortgage market overnight and has never looked back.

The company's investment aim is to be in the top quartile (top 25 per cent) of returns on a rolling three-year basis when compared with similar funds. Its unit-linked personal pension funds have achieved this target easily (with the exception of the index-linked fund), *while the managed fund was* one of only five recommended by actuary Bacon & Woodrow in its annual surveys of the market in 1993 and 1992*. But returns on the managed and UK equities funds tailed off in 1993, partly because the investment team did not take part in the boom in smaller company shares.

Apart from performance, one of the most important features for which to look in a financial product is the level and flexibility of charges. Although abandoned in 1989, the Maximum Commission Agreement (MCA) is still used as a benchmark by life offices. It was devised by the Life Assurance and Unit Trust Regulatory Organisation (Lautro) to impose a ceiling on the level of commission life offices could pay an independent adviser.

National Mutual's maximum payment – 133 per cent of the MCA – is the industry average. Commission paid depends on the term of the policy. On a 20-year monthly-premium personal pension plan, for instance, the MCA up-front commission rate would have been just under 45 per cent of the first year's premiums. At 133 per cent, the commission would be about 59.5 per cent of the first year's premiums.

National Mutual's annual investment management charge is low at 0.36 per cent, compared with 0.5-1 per cent charged by most competitors. Elsewhere, its charging structure is relatively clear compared with rival products. Where you opt to pay fees to an independent adviser, so that the cost of commission is removed from your policy, there are no early termination penalties.

If commission is paid on the unit-linked policy, this is recouped from the early premiums which are allocated to initial units. Premiums continue to buy these lower-value units for the first 12 months. If the policy is cancelled during this period, there will be a penalty.

The with-profits personal pension does carry a market value adjuster – a discretionary penalty on withdrawing funds during, say, a stock market crash. To date, however, the company has not used this mechanism.

National Mutual's expense ratio, at 22.64 per cent in 1992, is higher than the industry average (19.3 per cent in 1991), but Gavin Hill, managing director, *says this does not* reflect the true impact of its charges.

The most widely used indicator is the "reduction in yield" figure, which shows the equivalent annual percentage charge over the life of a contract. On the society's 25-year, unit-linked personal pension, the RIY was 1.3 per cent in 1993. This is below the industry *average of 1.6 per cent*, according to the Financial Times Personal Pensions 1994 handbook.

INSURANCE for LIFE

The worst scandal to hit the personal pensions sector since the product was launched in 1988 has been the widespread mis-selling of transfer plans to employees with company pensions. But National Mutual has a strict policy on transfer business. Hill says: "A transfer value analysis must accompany all transfer applications. If the analysis does not support the transfer, the case will not be accepted unless some other justification can be produced."

The society sells exclusively through independent advisers but Hill warns that people must check an IFA's credentials thoroughly before accepting advice. "If you are seeking advice from an independent adviser, make sure that person or firm has proven expertise on the pensions market," he says.

Hill is neutral in the debate over fees versus commissions. "Advice has to be paid for. The most important point is that the consumer should come to a *clear agreement with the* adviser on the level of remuneration. It is then a matter of choice whether this is paid-for by fees or by a commission.

"Moreover, it is no good comparing projected returns on commission-based products with nil-commission plans. The comparison is only fair if the cost of the fees is compounded over the term of the contract and added in to the final total."

Continuity of investment staff at National Mutual is good. So is the society's "persistency ratio" of 94.7 per cent; this indicates the number of policies that continue to maturity rather than being terminated early.

Standard & Poor's, the US credit rating agency, awards NM an "average" financial strength assessment. This denotes "adequate financial strength" but cautions that "this strength may be affected by adverse economic or underwriting conditions".

National Mutual has won several industry awards for service and administration.

**Bacon & Woodrow Personal Pension Survey 1993, Bacon & Woodrow, Private Client Department, Ivy House, 107 St Peter's Street, St Albans, Herts. AL1 3EW. Price: £250.*

FACT FILE 2

Name: National Mutual Life
Status: Mutual
Founded: 1830
Market position: Medium-sized pensions specialist
Financial strength rating: Standard & Poor's assessment: "Adequate"
Funds under management: Over £1.75bn (at 31/12/93)
Premium income 1993: £236m
Number of personal pension plan clients: 168,000
Number of transfer plans sold: 14,000
Sales outlets: Only through independent advisers
Commissions paid: Between nil and the industry average. Flexible to suit agreement between adviser and client.
Non-commission terms? Yes, available to any IFA. Enhanced terms on plan equivalent broadly to commission foregone.
Recurring single premium contracts? Not offered
Expense ratio (management expenses divided by total premium income): 22.64 per cent in 1992 (industry average last calculated in 1991 at 19.3 per cent)
Reduction in yield 1993* (equivalent annual percent charge over the life of the contract): 1.3 per cent on a 25-year unit-linked personal pension (industry average 1.6 per cent)
Penalties on early retirement or termination: None on nil-commission contracts. Commission-based contracts and long-term unit-linked plans: penalty imposed on termination of contract more than five years before retirement. Unitised with-profits plan: a "market value adjuster" (MVA) penalty can be imposed on early retirement more than five years before original date agreed (but MVA has not been applied so far).
Performance*: Unit-linked returns excellent for most funds, although managed and equity funds tailed off in 1993. With-profits returns average. (Results over five years).
*Source: Financial Times 1994 Personal Pension Handbook, and Pensions Management.

John Maynard Keynes: company chairman, 1921-1938

Charges
Between July 1994 and January 1995, life office projections will change to reflect real charges. Until then, projections use a standard basis which bear little or no comparison with the real charges applied.

To reveal the impact of management charges on the final fund of National Mutual's most popular personal pension – the managed unit-linked plan – we asked for illustrations, using its own charges rather than the Lautro standard basis, for a man aged 45 who expects to retire at 65 (ie, a 20-year contract) paying (a) £200 per month and (b) a stand-alone single premium of £10,000.

Illustrations using Lautro's standard charges – which, in fact, are much lower than the industry average – are shown in brackets. The growth assumptions are Lautro's standard 6 per cent and 12 per cent.

Full commission paid	6% gth	12% gth
Monthly premium £200	£77,450 (£80,900)	£251,403 (£258,000)
Single premium £10,000	£27,805 (£28,200)	£83,935 (£85,200)

Nil commission		
Monthly premium £200	£82,271 (£80,900)	£265,600 (£258,000)
Single premium £10,000	£29,313 (£28,200)	£88,489 (£85,200)

Where full commission is paid, National Mutual's charges are higher than the Lautro basis, yielding a lower projected return. Where the commission is stripped out, the reverse is true. But if you arrange nil-commission terms, you must add in the cost of your adviser's fees compounded over the term of the contract.

Pru takes a new line

An early sign of the sort of product innovation that is likely to be a feature of the life assurance sector over the coming months because of commission disclosure has been given by the Prudential, the UK's largest life insurer.

Prudential will launch a single recurring premium pension – called Premium Option – in March, aimed at the company's sales through independent financial advisers.

The new product will offer advisers several ways to choose how they take their commission (from 0 per cent to 5.2 per cent of each contribution each year, and up to 20 per cent up-front as a lump sum payment in respect of the first five years' commission). It is also intended to improve early surrender values for customers.

The proposals from the Securities and Investments Board, the City's chief watchdog, to ensure that sales agents tell customers how much they will be paid in commission for selling a particular product, are due to come into effect from the start of July. There will be a six-month transitional period before every company and adviser must comply with the requirement.

Several life companies are planning new product ranges with differing structures so that customers and IFAs can choose from a variety of commission arrangements once the disclosure provisions come into effect.

Alison Smith

FINANCE AND THE FAMILY

Performance – the only way to judge a trust's real worth

Classifications are no guide as to how a fund will perform, says ***John Cuthbert***

The malaise afflicting classifications for unit trusts can be demonstrated by looking at the UK growth sector. While many of its 114 funds with five-year track records have much in common, a lot of others differ so much that there seems no reason to lump them all together.

One way to address this problem is to split the sector into two parts – one having non-specialist funds, sometimes biased towards FT-SE stocks, that aim for no-frills growth; the other with funds pursuing growth with a twist, in other words, specialisation. We will look at these funds *now* and the non-specialist ones next week.

Many specialist funds can be identified immediately by their names: special situations, recovery, ethical and enterprise are the most obvious. The distinctive nature of at least three of these translates into a unique five-year risk/return signature. Take the 18 special situations funds with five-year histories: they have been 26 per cent riskier than the sector average (risk here is represented by unit price volatility), and returns have been 30 per cent less.

Recovery funds (12 of which have five-year records) have been marginally less risky (20 per cent greater than the average) and marginally less disappointing (a 24 per cent underperformance of the sector's average return). The five-year-old ethical funds (there are four of them) are the least risky of all the growth types, specialist and non-specialist, with risk 6 per cent less than the average and an average total return that matches the sector's average return, too. The enterprise funds, of which there are two, are classified as specialist because of their pursuit of aggressive growth plus strategies of the special situations type.

The important point is that the special situation and recovery classes are *not* growth funds. Growth is a definable characteristic which is distinguished not by the fund's aim but by its style. Specifically, growth funds are those which pursue stocks with earnings growth rates higher than the market average; therefore, they will generally have an average price/earnings multiple higher than the market as well.

Yet, I could not find any recovery or special situation funds with both these characteristics. Indeed, most recovery funds have virtually no exposure to growth stocks, and that is how it should be. Recovery is a highly cyclical theme which has virtually nothing to do with growth, whereas special situation funds tend to mix virtually every style possible.

In the absence of proper classification, performance assessment is the thing to watch. We have applied two performance standards so as to cull the many into the few. The first is a simple test of whether a fund has beaten the FT-SE A All-Share index on a total return basis; but because cumulative return distorts performance, the returns used here are the sum of period-to-period returns.

Managers could, of course, beat the market simply by taking riskier bets, so our second benchmark adjusts the returns of the All-Share for its risk. The same method has been applied to the 39 specialist funds I have surveyed in this sector. The resulting number for the All-Share is 0.29. Any funds that have been able to beat this, as well as the discrete total return for the All-Share (85.28), have been included in our main table.

These standards constitute a tough test of ability to manage risk as well as return. Unfortunately,specialist funds do not fare well.

PC Technical Analysis passes with a high risk/return rating (0.33) but fails with a lower than necessary total return, albeit one which is fourth out of 39. Much worse, no special situations fund betters either test (although Capability Special Situations just misses out), and only one of 12 recovery funds (Legal & General's) is up to scratch.

This result is perhaps understandable for recovery funds because their five-year records always will be hit hard by their cyclical sensitivity (although the strategic common sense of L&G's Leslie Hooper – who bought high-quality stocks in bombed-out sectors rather than bombed-out stocks directly, and then switched into true recovery stocks when economic recovery was in sight – suggests that recovery management can be more than just a cyclical play).

The non-representation from the 18 special situations funds, however, is a damning sign. There is no overwhelming reason, aside from the consistent bias towards small company stocks, why this type of fund should be dominated by cyclical trends.

This wholesale failure might call the special situations concept into question except for one thing: the problem is not absence of potential but a scarcity of asset-allocation ability.

The one specialist fund to make the grade, Schroder UK Enterprise, has a matchless record of total returns (its BM ratio of 1.31 is huge) and consistency (it has beaten the All-Share in all five years).

For that matter, only two funds in the whole sector – Pembroke and Gartmore British Growth – have been able to give it a run for its money.

Schroder's strength is that it has no particular specialisation; indeed it has had a mix of value, growth and stocks with small capitalisation over the past five years. The fund also has had a policy of boosting its returns by concentrating its portfolio in 25 stocks, which often means taking a 5-6 per cent bet on a particular company.

This is a risky strategy – the fund's risk relative to its sector (obtained by dividing its price volatility number, the standard deviation, by the same for the sector average) is 1.08, or 8 per cent above the average. Yet, it has paid off. The high risk/return score of 0.37 not only says that the fund's total risk has been well-rewarded – its size also is a sure sign of ability at work.

■ *John Cuthbert is a freelance investment fund analyst.*

UK Growth Sector: Specialist funds

	Year	Total Return %	Benchmark	BM Ratio	Risk relative to sector	Risk Description	Risk/Return
Schroder UK Enterprise	1989	38.2	3.56				
	1990	-5.54	4.96				
	1991	24.22	5.14				
	1992	24.78	5.94				
	1993	38.86	11.17				
	TOTAL	111.91		1.31	1.08	Above average	0.37
Legal & General UK Recovery	1989	25.67	-8.97				
	1990	-13.34	-2.84				
	1991	22.5	3.42				
	1992	22.61	3.77				
	1993	36.75	9.06				
	TOTAL	88.1		1.03	1.01	Average	0.31
FT-SE-A All-Share	1989	34.64					
	1990	-10.50					
	1991	19.08					
	1992	18.84					
	1993	27.69					
	TOTAL	85.28		1.03			0.29

Footnotes: Years are December 31 to December 31. N.B. The five year total is based upon monthly percentage changes so does not sum to the five year-on-year totals. The Benchmark column shows the arithmetic difference between the fund's return and the index's return. The benchmark (BM) ratio expresses the percentage non-cumulative total return outperformance over the FT-All Share by the fund over the five years. Risk is total risk or volatility. Total risk is measured by the standard deviation of monthly returns over five years to December 31, 1993. Risk relative to sector is each fund's standard deviation divided by the sector's average standard deviation of 4.74. Risk/return is the division of the five-year average monthly total return by the five-year standard deviation of monthly returns. The five-year risk/return figure for the All-Share index is 0.29. Return data, offer-to-offer, net income re-invested to 31 December, 1993.
Source: HSW. All other calculations: JP Cuthbert.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.80%B	Yly
Skipton BS	2 High Street	Local Branch	Instant	£2,000	6.50%	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	6.70%	Yly
Coventry BS	Extra Interest	0203 252277	Instant	£25,000	7.10%B	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.85%	Yly
				£25,000	7.10%	Yly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	7.35%A	Yly
Chelsea BS	Bonus Bond	0800 272505	31.01.95	£5,000	7.00%	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.60%B	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.65%	Mly
				£25,000	6.90%	Mly
B & W Asset	Monthly Income	0800 303330	90 Day P	£25,000	6.93%	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£3,000	7.60%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.55%	Yly
Progressive BS		0232 244926	5 Year	£1	7.50%	Yly
Ipswich BS		0473 211021	5 Year	£100	7.40%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£10,000	6.25%	Yly
				£25,000	6.60%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	5.75%	Yly
Portman CI Ltd	Fxd Interest Bond	0481 822747	1 Yr Bnd	£500	6.00%F	OM
Confederation Bank (J'rsy)	Flexible Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
Derbyshire (IOM) Ltd	90 Day	0624 663432	90 Day	£50,000	7.30%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	4.78%	Yly
Financial Assurance FN		081 367 6000	3 Year	£50,000	5.20%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.65%	Yly
Eurolife FN		071 454 0105	5 Year	£3,000	5.75%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%I	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00% +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = 7 days loss of interest on all withdrawals. B = 10 days loss of interest on all withdrawals. Rate guaranteed to 28.2.94. G = 5.75 per cent on balances of £500 and over; 6.00 per cent on £25,000 plus. H = 6.75 per cent for balances of £25,000 and over. I = 6.40 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

FINANCE AND THE FAMILY

Expatriates / Donald Elkin

Keep track of your trips home

Every expatriate knows that the length and frequency of visits to Britain can affect residence status and, as a result, exposure to UK tax. Often, though, the certainty ends there. Few can pick their way unerringly through the complications of the "six months' rule," the "three months' average rule" and the "62-day rule".

The problems start as soon as you leave the UK. For tax purposes, you can be treated as not resident and not ordinarily resident from the day after your departure, whether for employment or emigration. If for employment, both your absence and the job must extend beyond a complete tax year (until April 6 1995, at least, if you were leaving now). If for emigration, you need to produce evidence of having left permanently – say, by acquiring a permanent home in your new country of residence.

Most importantly though, a ruling that you are non-resident depends on subsequent visits to the UK not exceeding either 182 days in a tax year, or 90 days a year on average.

A great deal can hang on this because, if you are resident and ordinarily resident in the UK, you can be taxed on world-wide income and gains. But not resident/not ordinarily resident status limits your exposure to UK source income (even some of that escapes the charge), while only capital gains derived from selling assets used in a British business remain taxable.

Even when non-resident status is achieved, you cannot afford to relax. Visits to the UK totalling more than 182 days in a tax year will make you resident for that year. Visits exceeding 90 days a year, on a rolling four-yearly average, will make you ordinarily resident from the fifth year – indeed, they will make you ordinarily resident from the start if you plan to make them. And, once you are ordinarily resident, a visit of just one day will make you resident for the year.

In practice, full-time workers are unlikely to be able to exceed these limits in any event, but they must be kept in mind by retired emigrants, non-working spouses and those between jobs.

For them, though, keeping non-resident status has been made easier by the abolition from 1993/94 of the "available accommodation" rule which meant you were treated as resident in any year you visited the UK if you maintained accommodation there for your use. But this did not apply if you were employed full-time overseas or had a business abroad.

(These rules are concerned only with visits to England, Wales, Scotland and Northern Ireland and the three-mile territorial limit surrounding them. If you are on an oil platform or other installation within that limit, you are treated as being in the UK. But this is not the case with installations in "designated areas" of the continental shelf outside the limit, even though your salary will be deemed to arise in the UK.)

The manner in which visits should be counted was determined by a 1951 case (*Wilkie v. CIR*) which concluded that total elapsed time – not just days but hours, too – must be taken into account. But since this would have caused the Inland Revenue big administrative problems, it adopted a standard procedure which ignores days of arrival and departure – subject, of course, to your right to insist on the strict legal treatment if that works to your advantage.

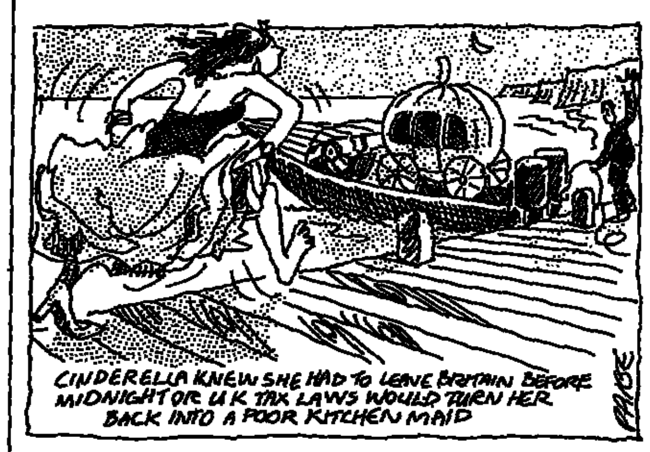
Applying the standard procedure has the strange effect that, if you arrive in the UK one day and depart the next, you are treated as not having been there at all. Some other periods spent in the UK also can be ignored. After Iraq invaded Kuwait in 1990, the Revenue announced in March 1991 that periods spent in Britain because of exceptional circumstances beyond an individual's control – such as illness – could be ignored, but only for the purpose of the 90-day average calculation.

It is not only non-residents who need to count their visits. So also must short-term overseas employees who do not become non-resident. Their salaries are excluded from UK tax liability if their work is carried out in the course of a qualifying period exceeding 365 days, regardless of whether that involves a complete tax year.

For this purpose, "qualifying period" covers days spent outside the UK, together with intervening days spent in Britain provided that these do not exceed either 62 consecutive days or one-sixth of the days in the period. (For seafarers, these limits are extended to 183 consecutive days, or one-half of the days in the period, respectively).

In this case, the legislation sidesteps the problems of *Wilkie v. CIR*. The question of whether you are regarded as present in the UK for a day is determined by where you are at the end of it. Even though there is no chance of your carriage turning into a pumpkin, there could be times when you are just as anxious as Cinderella to leave by midnight.

■ *Donald Elkin is a director of Wilfred T. Fry Ltd of Worthing, West Sussex.*



A husband's gift of money

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

My husband gave me some money as a gift when independent taxation was introduced. I wish to have the interest from my account transferred to our joint account for living purposes as my husband has now retired.

Will I be contravening the tax regulations in so doing? What is the position regarding interest earned on such accounts?

■ If the money which you contribute to the joint account does no more than meet your half share of the living expenses, then there is no problem. On the other hand, if your husband's contributions to the joint account are insufficient to meet his half share of the expenses, then the tax position depends upon whether, when he gave you the money, there was an understanding it might be used to subsidise him after he retired.

Ask your tax office for the (free) Inland Revenue booklet IR88 (Independent taxation: a guide for tax practitioners), and study paragraph 19 for further guidance.

Upper CGT limit on sale of a chattel

Will you please tell me what is the current upper limit for exemption from CGT on the sale of a chattel with a life of more than 50 years?

Does the exemption figure apply to the sale price at auction, or the net figure received after auctioneer charges such as commission, insurance etc?

■ Section 262(1) of the Taxation of Chargeable Gains Act 1992 says: "Subject to this section, a gain accruing on a disposal of an asset which is tangible movable property shall not be a chargeable gain if the amount or value of the consideration for the disposal does not exceed £6,000."

So, the answer is that the limit is a sale price of £6,000 (not net proceeds of £6,000).

Ask your tax office for the free introductory pamphlet to capital gains tax, CGT14.

Assessing the age allowance

I am 65 and trying to assess whether I will be eligible for age allowance in the 1994/95 tax year. I know what gross income from my pension and investments is likely to be in 1994/95 and I pay private medical insurance subscriptions, from which tax is deducted at 25 per cent.

1. When the tax office makes an assessment for age allowance eligibility, will it make a gross private medical insurance deduction from total gross income or will it be a net deduction?

2. I received some investment income gross in the 1992/93 and 1993/94 tax years, and the account was closed in January this year. When I pay the tax on this investment income in the 1994/95 tax year, will the increase to my total gross income apply to the previous year or will the gross investment income for 92/93 and 93/94 become a part of my total gross income for 94/95?

■ 1. The answer is neither. Under paragraph 2 of schedule 10 to the Finance Bill, medical insurance premiums will no longer be deductible after 1993-94 in calculating someone's total income for age relief. You might like to write to the Inland Revenue, Public Enquiry Office, Somerset House, Strand, London, WC2R 1LB, for a (free) copy of the Budget day press release IR7 (Tax relief for private medical insurance).

2. The investment income received gross in 1992-93 and 1993-94 forms part of your total income of the years in which it was received, namely 1992-93 and 1993-94.

Confused over my liability

I was born on February 22 1919 and my wife on July 1 1915. My income is such that my tax liability falls well within the 20p in the pound bracket. It appears to me that, for 1994/95, I will be entitled to the married couple's allowance of £2,505 and the personal allowance of £4,370.

It was stated in the Budget, however, that these allowances would be "limited to 20 per cent." I do not fully understand this. Does it mean that, as I pay no tax above the 20p in the pound rate, the restriction has no practical effect in my case? How is the restriction to 20 per cent in the allowances brought into any calculation of my tax liability?

■ The 20 per cent restriction applies only to your married couple's allowance, which will be £2,705. In your case, the restriction will have no practical effect.

According to Budget resolution 15, your tax bill will be calculated initially without taking the married couple's allowance into account; the resulting tax charge will then be reduced by 20 per cent of £2,705.

You might like to ask your MP to urge the chancellor to rationalise the tax rules for people over 64 so that senior citizens no longer face more complex calculations than MPs (few of whom are over 64).

While interest rates have fallen to their lowest levels for many years, the idea of investing in a tax-free Personal Equity Plan has probably become more and more attractive to you.

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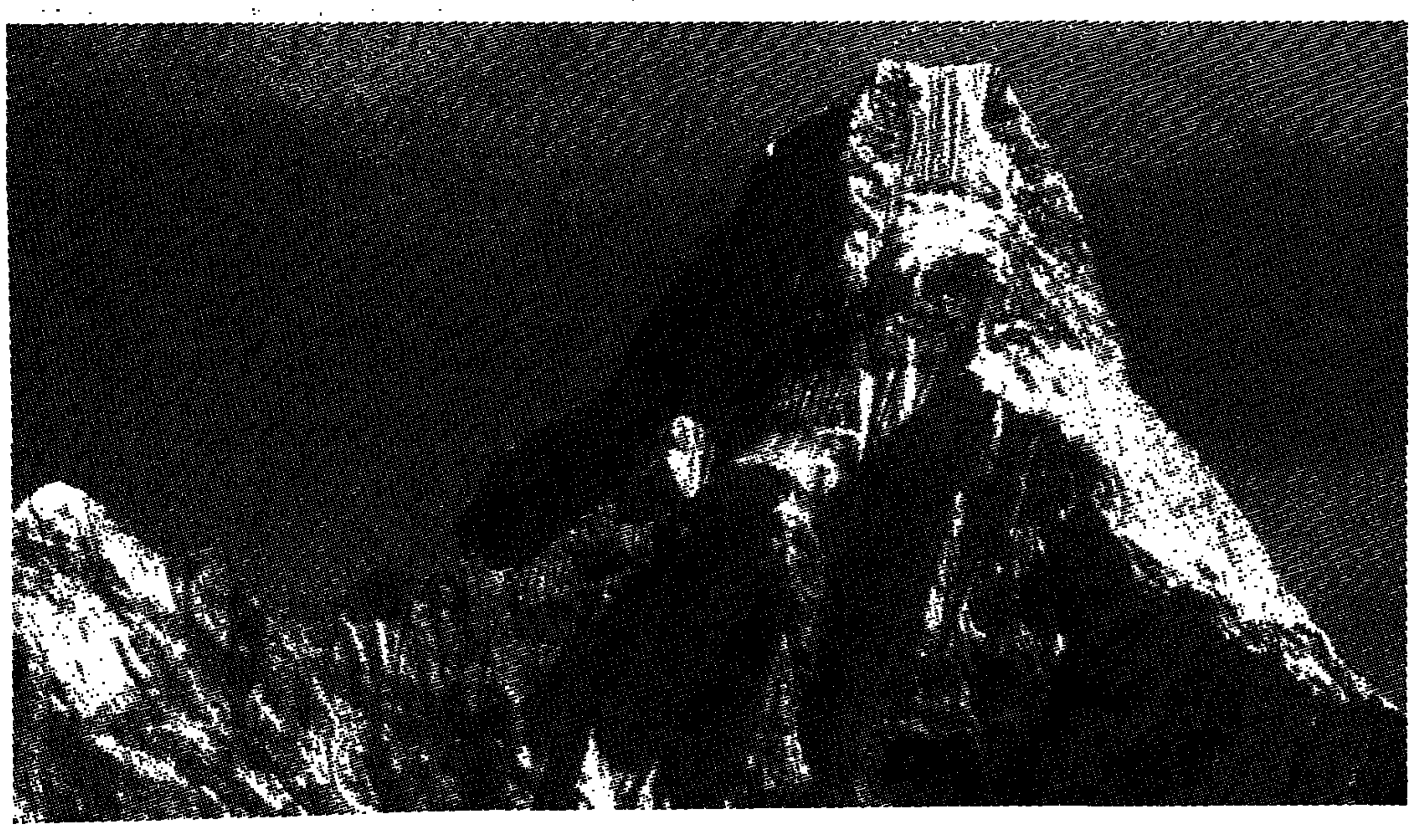

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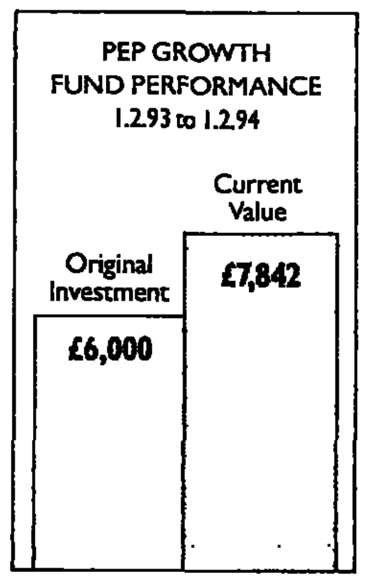

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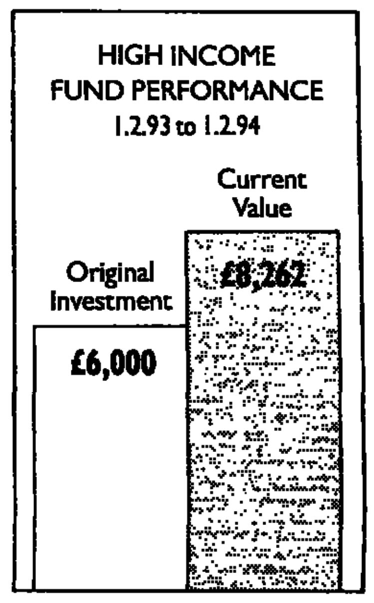

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Balancing the book

Suzanne Askham on a publisher putting profit second

Ashley Ashwood

Shirley Jones: pace is slow as her books can take years to sell

A publisher producing just one book a year sounds a most unpromising proposition, but Shirley Jones of the Red Hen Press has seen her business expand from a housewife's hobby to a respected concern with good prospects for the rest of the 1990s.

"My products matter more than my profits," says Jones who has combined an English degree with art school courses to become a writer, illustrator and printer of artists' books, working from a studio at her south London home.

She may produce only one book a year, and print only 40 copies of it – but with each book retailing for an average of £500 (special designer bindings are sometimes added at extra cost), profits are appearing.

The pace is slow, however, as the books can take years to sell: Jones supplements her income by selling prints from the books for an average of £40 to £60, and by lecturing at universities.

Jones began producing artists' books at a loss during the mid-1970s, and it was not until 1983 that the Red Hen Press became a commercial concern and began to pay for itself.

Before then, she spent £1,000 on printing equipment, and bought her materials – handmade paper and inks costing about £400 a year – from family savings.

Prints accounted for 66 per cent of turnover before 1983, and books the rest. Books sold for an average of £200, and only 12 to 25 copies of each were produced.

Prices were calculated simply by looking at what Jones reckoned the market would stand and disregarding her own labour costs.

"Even now, I calculate that I pay myself only £3.50 an hour," she said.

In 1983, turnover reached a modest £5,000, of which the sale of books formed 90 per cent. This financial shift followed a decision to market the books personally around American universities and art libraries.

"I spent, and still spend, £1,500 per annum on that. Other overheads have been low in comparison – just £500 a year – as I work from home," said Jones, who now employs a part-time assistant, usually an art student, during the hectic printing period.

Since the 1980s, the Red Hen Press has published a wide range of titles, including translations of Welsh and Old English poetry, and original poems about Jones's Welsh homeland, cats, wildlife and other subjects.

During this period she made a financial mistake which alarmed her so much she made a further change of strategy: "I used to commission one-off designer bindings for a few books before trying to sell them," she explained.

"But in 1989 I commissioned a design which turned out not at all like my brief, and was more expensive than I had expected – almost £1,000. I paid, but the book still hasn't sold, and since that time I've never commissioned designer bindings except on order."

By placing her product above commercial considerations, Jones has been building her reputation as a serious book artist. This is the prime selling point of her business, and can be regarded as a long-term investment which looks likely pay off during the rest of the 1990s.

Turnover this year is still modest, at £10,200. Total outgoings come to £4,200, of which 66 per cent is spent on production, 23 per cent on marketing, and the remainder on overheads.

But as Jones's name becomes better known, profits look likely to rise: second-hand copies of her books are already selling for more than their original retail price.

Jones's buyers are predominantly universities, art libraries and museums, including the British Library, the Victoria and Albert, the Guttenberg Museum in Germany, and many American universities.

"I also sell a certain amount, around 5 per cent, to private collectors, usually through a dealer, who takes one third of the price in profit."

This year could prove a springboard year for the Red Hen Press for two reasons. First, Jones's husband Ken recently retired from his post as head of personnel at Reuters Europe. Now a personnel consultant, he is spending about a third of his time on marketing his wife's business.

Second, the business is to move to Wales as Jones has been awarded a grant of £4,300 by the Development Board of Rural Wales towards the cost of converting part of her existing Welsh home into a studio and office, giving more space while reducing overheads.

She plans to employ a part-time printing assistant, and a part-time office worker.

Husband Ken explained: "While never forgetting that future business plans are secondary to artistic development, we are planning to increase our income from the sale of cards and poetry books, as well as from a few more lecture tours."

■ *The Red Hen Press, 2 Croham Park Avenue, South Croydon CR2 7HH. Tel: 081-686 4178.*

Tony Andrews

Outside catering: Seattle-style coffee carts are now appearing on the streets of London

A break for coffee

Nicholas Lander meets a man causing a stir in street catering

If David Humphries has his way, the dingy street carts which dispense greasy hamburgers, hot dogs and onions on the streets of London will be replaced by sleek machines dispensing coffee and croissants. Humphries, a former journalist, believes London is under-espressoed.

For such a gastronomic transformation, the British public would thank the people of Seattle, Humphries' home town, which is now the coffee capital of the US.

Humphries, a former employee of the Associated Press news agency and senior editor at *Penthouse* magazine in New York, came to the UK in 1989 when his wife was posted to London by her company. Having left Seattle in 1984 he noticed on return visits that the city was becoming gripped by coffee-mania.

This began in 1982 when Nordstrum, the city's biggest department store, opened an espresso cart outside its main store. Others were quick to follow and soon there were more than 1,000 carts. Today, the downtown area is said to have a cart every 300ft and there is even one on a boat to service the yachts in the city's port.

Two factors accounted for this growth, explosive even in a country where coffee is the national beverage. The first was the popularity in Seattle of *latte*, a drink of hot, steamed milk added to espresso topped with milk froth. Second was the arrival of Italian syrups – such as almond, cinnamon or hazelnut – with which to flavour cappuccinos. Drinking Italian-style coffee became fashionable and Seattle even has drive-in espresso carts.

Set-up costs are relatively low. In Seattle, about $10,000 buys (from one of the city's 40 manufacturers) a cart that includes a sink with running water, a drainage tank, refrigerator, water storage tank and electric power panel. Then you need a power supply, a permit, and somewhere to park the cart at night. And, most importantly, the right site – as Humphries was to discover.

When, on a subsequent trip to Seattle, he heard of an espresso cart which had paid for itself after a month because of its location, he placed an order for one to be shipped to London early in 1992. But, on returning to look for a site, he ran into a big problem.

His preferred sites – outside the Tate Gallery, on Oxford Street or Piccadilly – were vetoed by local councillors. No new permits for street carts were being issued, and existing ones were guarded jealously by those who held them.

The imminent arrival of his cart forced Humphries into taking a site inside the London Pavilion at Piccadilly Circus.

Then he discovered the King's Road shopping mall in Chelsea and tried to convince its manager of the profit they could share from an espresso cart – but instead he walked out a restaurateur.

Regulations forbade any carts dispensing food and drink, but the basement restaurant was being vacated, so Humphries moved in to convert Londoners to flavoured cappuccinos and *lattes*.

A friend from Seattle helped him develop a blend after a month during which they sat through 14 different tastings at a coffee specialist in Soho. Today, with four outlets – the others are in the Plaza shopping arcade, Oxford Street, in the heart of the West End, plus two carts in the City at the Broadgate development, next to Liverpool Street station – he has a monthly coffee bill of more than £2,000. In its first year, the company's turnover was £340,000; in its second, it is on track to top £1.5m.

Margins on an espresso are big: a 3p cost turns into a 60p sale, and returns from one operator can be big. If the site is right, the daily gross profit can be £200-300. But the number of customers must be high and consistent.

Humphries had one setback: a fifth outlet in Camden Town proved unsuccessful because the area is busy only on Saturdays and Sundays. As a result, he closed it after Christmas. But in the basement of the Plaza arcade, where he pays 18 per cent of gross turnover as rent, the site is very busy throughout the week – particularly as it is located right opposite the down escalators.

Humphries' original espresso cart finally found a home in March 1993 at Broadgate (for which he needed permission from the developer, not the council). At 7am, queues of office workers wait for the kiosk to open and it stays busy until 8pm, seven days a week – especially now the development's ice rink is open.

Spurred by such slogans as "Cappuccino makes you smarter than you really are!" customers buy more than 1,000 cups of coffee on a busy day.

Having found that office workers are a perfect market, Humphries would like to operate espresso carts in a ring around Liverpool Street. Having now designed his own cart, he is negotiating to place them in such outlets as department stores and cinemas – even with a transport company. And, in March 1995, he plans to install a cart in a shopping mall in Calais, France.

Humphries has no desire to control a large organisation and has his eye on granting franchises. He cites *Grinding it Out* – written by Ray Kroc, the founder of McDonald's – as one of the seminal books of the 20th century, and believes that espresso carts selling up-market, high-quality food and drink could well be *the* franchise vehicles of the 1990s.

There is another compelling reason for that. Humphries says an espresso cart, fully equipped and ready to roll, should cost less than £20,000 – rather less expensive than the sum you need to open a McDonald's franchise.

■ *Espresso A La Carte, 80 Woodside Avenue, London N10 3HY. Tel: 081-883 8293*

As They Say in Europe / James Morgan

It couldn't happen here

Michael Portillo, number two in the British Treasury, created a stir recently when he told students that if they got good examination results it was not because they had bribed anyone, and if they won contracts it was not because of their relationship with government ministers.

That was the sort of thing that happened abroad, he said. In the ensuing uproar, unfortunately, most of the allegations were withdrawn.

But, as others have pointed out, in Britain, alone in Europe, you can buy good examination results by opting out of the state system. In France or Germany to do such a thing for your offspring would mean they were dim, in need of extra help.

Each country is corrupt in the eyes of others. But not in the eyes of its own citizens unless things get out of hand, as in Italy.

In France corruption operates within the systems of patronage worked by political parties. There is also a nice blurring of the frontiers of the public and private sectors that can enable individuals to cross the line profitably. If the state-owned Electricité de France places huge orders with (private) French suppliers the day before rules on the European single market come into force, is that wrong? Certainly not.

Softening the rules of the market is a doctrine that has been espoused by Edouard Balladur, the prime minister.

In Germany things are different again. There, the federal system ensures power is so decentralised it is difficult to get together the critical mass necessary for large-scale corruption. It occurs in the most dreary circumstances: the papers are full of tales of top people paying off members of the lower classes with public funds for minor services.

In the Netherlands corruption cannot really be confronted at a high level because it may damage the financial interests of the state.

Spanish corruption arises from an unfamiliarity with the rules of the modern state: the regulations are in place but are hard to understand, let alone implement, in a land that entered the twentieth century only a few years ago. Greece remains Balkan in its attitude towards regulation.

British corruption, in the eyes of others, arises from its twin virtues of tradition and the old boy network. There was also something shocking in the way John Major became prime minister after the resignation of Margaret Thatcher, as she then was.

He was chosen, not by the people, but by 300 Tory members of parliament who gave him a job whose powers are scarcely matched in any other democracy. The fact that a British government can do more or less as it likes is seen as alarming.

Some allege it is now laying the foundations of the corrupt state of the future. The proliferation of quangos and the curious Self-Financing Regulatory Agencies, which support themselves through raising money for services that others are compelled to purchase, are an Aladdin's cave for those less scrupulous than the fine people who staff such organisations at present.

The writer Christopher Booker, an expert on these matters, believes things are going wrong already. As does the Public Accounts Committee of parliament which issued a disturbing report on the matter a couple of weeks ago.

So Mr Portillo's views on corruption abroad have been greeted in part as entertainment, in part as a curious element in the British psyche. But not as a contribution to a comparative study of the pathology of improbity.

In the *Frankfurter Allgemeine Zeitung*, under the headline "Where you can't buy the examiners," the paper's London correspondent wrote: "Attacks on 'the foreigners' had already become the recipe for success at the last Conservative party conference."

He noted that now there were stricter laws introduced by one beneficiary of that mood, Peter Lilley, the social security secretary. He has imposed new rules against "treacherous foreigners who come from the European Union to Britain to swindle the social services".

Le Monde compared the Portillo outburst to that of Edith Cresson, the one-time French prime minister, who spoke of the depraved sexual morals of Anglo-Saxons. It concluded: "There should exist in each European government a minister responsible for insults and imprecations. Like their colleagues, they should meet regularly to harmonise abuse at the very heart of the Union. There exists near Brussels a convenient location for their conferences: the Chateau de Moulinsart, property of Captain Haddock."

Captain Haddock, for the uninitiated, is the drunken oaf who accompanies the boy detective Tintin on his adventures. In England he lives at Marlinspike Hall: each country has a home for Captain Haddock. And, nearly everywhere, he has an English name...

■ *James Morgan is economics correspondent of the BBC World Service.*

Continued from Page I

aged to obtain from the continent up to £300,000 in gold, replenishing the Bank of England's barren coffers. In the era before the telegraph, this was an astonishing feat. Rothschild had developed a sophisticated private courier and homing pigeon system, which enabled him to communicate with his brothers in Paris, Frankfurt, Vienna and Naples, all at the hub of international finance.

This extraordinary family, together with Barings, occupied a position comparable to that of central banks or even the International Monetary Fund today. In the rueful words of the brother of the Governor of the Bank of England: "The Rothschilds have become the metallic sovereigns of Europe ... They have obtained a control over the European exchanges, which no party ever before could accomplish, and they now seem to hold the strings of the public purse. No sovereign without their assistance now could raise a loan."

It was in the full knowledge of Rothschild's efforts that the Iron Duke now stood firm, telling Liverpool that "while there was life there was hope" that the Bank of England must not be allowed to go off the gold standard, and instead "the Government were bound to support them to the very utmost of their power ... for their interests were those of the country".

During the next few days the tide turned, and by Christmas confidence had been restored. Thornton even succeeded in landing a new post. Williams & Co, although it had stopped payment on the 13th, managed by the end of the year to reconstitute itself as Williams, Deacon & Co and brought in the battle-hardened Henry as one of the new partners. There beckoned, for E M Forster's great uncle, an illustrious career in banking.

It was a profession that was irrevocably changed by the 1825 crisis. A series of inquiries began which laid the foundations for the modern banking system. Inadequately capitalised private banks outside London took much of the retrospective flak, and legislation was passed permitting the establishment of joint-stock banks outside a radius of 65 miles from London. Within a few years joint-stock banks, in addition to the Bank of England, were allowed in London, beginning with the London and Westminster Bank (now the NatWest) which opened for business in Throgmorton Street in 1834. The other direct consequence of the crisis was that the Bank of England tightened its control over the currency, setting up 11 provincial branches in the late 1820s in order to promote wider use of its own notes.

After the crisis Thomas Love Peacock, poet, novelist and an official of the East India Company, reflected on the crazy phenomenon in verse, which might equally well have been an epitaph on the banking follies that caused the Latin American debt crisis of the 1980s:

Oh! where are the riches that bubbled like fountains,
In places we neither could utter nor spell,
A thousand miles inland 'mid untrodden mountains,
Where silver and gold grew like heath and blue-bell?
Now curst be the projects, and curst the projectors,
And curst be the bubbles before us that rolled,
Which, bursting, have left us like desolate spectres,
Bewailing our bodies of paper and gold.

■ David Kynaston's The City of London, volume 1: A World of Its Own, 1815-1890 is published by Chatto & Windus at £25.

FOOD AND DRINK

So, farewell Coonawarra claret

Jancis Robinson explains a new wine treaty which will have far-reaching effects

Considering it produces well below 2 per cent of the world's wine, and is at least 20 hours' flying time from most of the world's vineyards, Australia wields an extraordinary amount of influence.

Most obviously, there is a strong Australian element in the training of "flying winemakers", the swelling band of itinerant oenologists who are shaping winemaking techniques in developing winelands all over the globe.

Of more long-term importance, perhaps, are the achievements of Australian viticulturists in the world's vineyards, where they aim to flout the conventional wisdom that quality and quantity are incompatible. But signatures in Brussels and Canberra at the end of last month signalled an important new area of Australian influence, as well as a new era for Australian wine labelling.

Five years of intense negotiation have resulted in a two-part, 200-page agreement by which Australia stops using Europe's cherished wine names – champagne, burgundy, chablis, port, claret etc – at home as well as abroad, in exchange for EU recognition of its winemaking techniques, its own analyses, and EU renunciation of the right to use Australian geographical wine names such as Coonawarra and Granite Belt.

There was a bit of a hiccup when the Port''guese objected to Port Stephens as an Australian wine region but both negotiating teams are generally thrilled with the detail of this treaty.

The turning point came when the Australians agreed to stop using the word champagne (it maybe significant that some champagne houses have investments in Australian wine). The Australians, on the other hand, clearly feel they have stolen a march on other New World wine producers in terms of ease of access of their wines.

They have won concessions on the low natural acidity and high mineral content of some of their wines, on their naturally sweet wines which have until now fallen foul of EU law, and on their distinctly un-European habit of blending the produce of different regions.

But they are particularly smug about their practices which are embodied in this, the EU's first bilateral wine trade agreement, representing an important step in the international harmonisation of winemaking techniques.

It has already been used as a model for agreements with Bulgaria, Romania, Hungary and New Zealand and is likely to provide a framework for negotiations with such equally keen wine exporters as South Africa, Chile, and Argentina.

The hardest country to bring into line will be the US, land of Gallo Hearty Burgundy. It may be the world's fifth largest wine producer, but it has nothing like Australia's commitment to exports, which now represent almost a quarter of production worth A$21m (roughly £10m), expected to increase to A$1bn by the turn of the century.

Some current Oz favourites chosen specifically to appeal to European palates:

□ Goundrey Langton Mount Barker Chardonnay. 1993. £4.99. Asda. Still one of the best bargains around, a relatively cool climate Chardonnay. The Riesling 1991 is equally lively, although delightfully mature, and costs £5.49 from Vin du Vin of Appledore, Kent (tel: 0233-83727), La Vigneronne of London SW7 (071-589-6113), and Andrew Darwin of Kington, Hereford (04544-230534).

□ Mt Langi Ghiran Riesling. 1993. £5.99. Oddbins and Winecellars of London SW18 (081-871-2668). Fine: see also their Shiraz 1991 at £7.99.

□ Heritage Clare Valley Riesling. 1993. £6.49. Australian Wine Centre, London WC2 (071-925-0751). Delightfully understated and subtle. Not a trace of lime sherbet.

□ Prelude Chardonnay. 1991. £6.99. Domaine Direct of London WC1 (071-837-1142) A steal. Leeuwin Estate's second label and a wine that hints broadly at the burgundian style of this top Western Australian Chardonnay at £12.50.

□ Shaw & Smith Sauvignon Blanc. 1993. £7.99. Oddbins, Adnams of Southwold, Suffolk (0502-724222) and Winecellars. One of the most convincing Sauvignons I have ever encountered.

□ Alkoomi Chardonnay. 1991. About £10. Castang of Looe, Cornwall (0503-220359), Howard & Hardman of Chipping Norton 0608-641850. Pure and sinewy.

□ Heritage Cabernet Malbec. 1991. £6.99. Australian Wine Centre. Soft, alluringly ripe and ready to drink.

□ Charles Melton Shiraz. 1992. £8.99. Winecellars. Rich, full, immediate.

□ Rockford Dry Country Grenache. 1991. £9.75. Booths wine stores and Adnams. Sweet, alcoholic, round, lightly oaked. A delicious gulp.

□ Henschke Abbott's Prayer Merlot/Cabernet. 1990. £11.99. Lay & Wheeler of Colchester (0206-764446). Subtle, and approachable.

□ Coldstream Hills Reserve Pinot Noir. 1992. £11.99. Oddbins The most exciting Pinot yet to come out of Australia. Waitrose will have the Cab/Merlot 1991 at £8.49.

□ Petaluma Coonawarra Red. 1988/1990. £9.99. Oddbins, Bottoms Up and Wine Rack. As close as Coonawarra gets to claret.

□ Penley Estate Cabernet Sauvignon. 1990. £12.99. The Wine Treasury of London SW6 (071-371-7131). Gorgeous, mellow, top quality.

Cookery

An end to le gâteaux

***Philippa Davenport** on puddings*

Heaven be praised: proper puddings are back in fashion. Not of course that any self-respecting Briton was ever over-concerned about fashion. We knew in our hearts that traditional British cooking had the edge on all that fancy foreign stuff, but now it is official. Research into restaurant trends reveals that the reign of that false pretender, the Black Forest gâteau, is finally over. Bread and butter pudding is the "new" favourite on restaurant menus. Hurrah.

Closet pudding eaters need hide their preferences no longer. Come out and be counted. While yesterday's folk toy with crêpes Suzette on Shrove Tuesday, why not celebrate with something more substantial – treacle sponge, Spotted Dick, Sussex pond pudding, jam roly-poly or queen of puddings.

Consider joining The Pudding Club*. Founded by Jean and Keith Turner eight years ago, when puddings were becoming endangered species, it welcomes new members and there is no joining fee. The only requirement for membership is a love of puddings.

Club meetings, held regularly on Friday evenings, are so popular that places are booked weeks or even months ahead. The meetings are in fact dinners, at which seven puddings from the the club's repertoire – about 40 recipes – are served.

Safeway, the supermarket chain, recently launched six recipes from The Pudding Club repertoire adapted to cooking on a commercial scale. Its versions are also designed to appeal to vegetarians, hence the replacement of beef suet with vegetable suet and palm oil. Pleasingly, however, butter is used where butter should be. No nasty margarine.

I cannot pretend that Safeway's steamable/microwavable plastic-basined puddings are on a par with the best home-made, but some of them are a good deal better than anything I was given at school. I might well buy one or two as consolation for those left at home when I next go on a business trip.

The syrup pudding – in other words a steamed golden syrup sponge – was agreeably light and good, though much in need, I thought, of zipping up with lemon. This was remedied by warming a little extra syrup with some lemon zest and plenty of lemon juice to pour on at the point of serving.

Sticky toffee pudding, another steamed sponge made with butter, was again far too sweet and could have been more generously sauced but, basically, it was appealing. I am prepared to bet it will be a best seller.

I confess I have never been a Spotted Dick fan and this version, though lavishly fruited, did not convert me.

Oriental ginger seemed to me solid stodge and harshly hot, as though made with African ginger rather than aromatic Jamaican or Australian.

I had high hopes of Lord Randall but found the noble lord disappointing, handsome enough but the combination of marmalade and dried apricots it contained made a curiously bitter marriage.

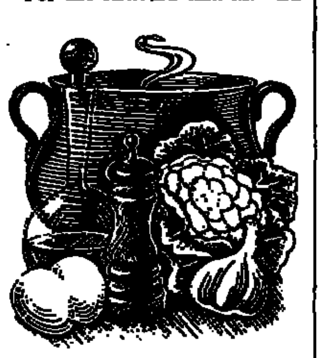
Jam and coconut pudding sounded off-putting, like the worst of junior school confections. In fact I liked the moist, slightly scented coconut sponge a lot. Pity about the jam – too much of it and low grade.

RHUBARB & ALMOND CRUMBLE TART
(serves 6)

If you are not yet ready to get your teeth into traditional heavyweight British puddings, here is a medium-weight stepping stone. This recipe also offers a good way to settle squabbles about whether a crumble, or a pie, or a tart, should go on the Sunday lunch menu since it is a hybrid.

For the orange pastry: 4 oz unbleached white household flour; 2 oz wholemeal flour; 1 well heaped teaspoon of sugar; 1½ oz butter; 1¼ oz lard; the finely grated zest of an orange and about 2 tablespoons freshly squeezed orange juice to bind.

For the rhubarb and almond



crumble: 13-14 oz trimmed weight forced rhubarb (you will need nearly 1½lb gross); 4 oz wholemeal flour; generous ½ teaspoon ground cinnamon; 3 oz pale muscavado sugar; 2½ oz butter; a generous 1½ oz flaked almonds plus an extra tablespoon of flaked almonds to sprinkle over the top.

Make the pastry in the usual way and chill it briefly. Roll it out, use it to line a 10in to 11in fluted flan tin and chill again. Line it with baking parchment, weigh it down with beans and blind bake at 400°F (200°C) gas mark 6 for 10-12 minutes. Remove the parchment and beans and bake for 8 minutes more.

Meanwhile prepare the filling. Whizz the flour, cinnamon and sugar in a food processor. Cut then rub in the butter and stir in all but one tablespoon of the nuts. (Everything up to this stage can be done well ahead if wished.)

Cut the trimmed rhubarb stalks obliquely into one-inch lengths. Sprinkle about one-third of the crumble mixture evenly over the base of the blind baked tart. Cover with the fruit and sprinkle on the rest of the crumble – do not press it down. Then scatter the extra almonds on top.

Slide the tart onto a hot baking sheet and bake at 400°F (200°C) gas mark 6 for 35 minutes until the rhubarb is hot and tender but not collapsing and the almond crumble is crisp. Cool for 5-10 minutes before serving with or without custard, cream or orange syllabub sauce.

* *The Pudding Club, Three Ways Hotel, Mickleton, Chipping Campden, Gloucestershire GL55 6SB. Tel: 0386-43839 Fax: 0386-438118*

The secrets of Thai cuisine

***Nicholas Woodsworth** enrols on a challenging and enjoyable cookery course in Bangkok*

I have never had much time for Bangkok. A heaving, clamorous monster of a city that has slipped its leash, it seems permanently out of control. It grows and grows, and continues to grow. It is unstoppable. It thrives on money and fat-cat generals and rotten business deals and veniality. It eats people and belches blue smoke.

Worst of all, from the traveller's view, it deadens the senses of the unsuspecting visitor. After their first two-hour traffic jam between airport and hotel, many people just switch off. Whenever I am in transit in Bangkok, I lie low and simply pretend the whole thing isn't there.

At least, that is the way it was until I noticed the little cluster of food carts parked each day outside the Mandarin Oriental Hotel. They are nothing special – battered, three-wheeled aluminium pushcarts with tin roofs for the rain, car batteries and fluorescent tubes for lighting, and butane canisters and gas rings for cooking.

They are found on almost every street corner. But to judge from the happy faces of the commuters on their way to and from the crowded ferries on the Chao Phya River, they were giving great pleasure and satisfaction in an otherwise hectic routine.

No matter how chaotic their city has become, Bangkok's citizens retain a reputation for aesthetic and sensual appreciation. Outside on the street the diesel fumes may be thick and the traffic snarled, but in their souls the Thais, a creative and expressive people, continue to enjoy life through their considerable artistic and social skills – through their love of conversation and company, through religion, art, music, and, most famously in the west at least, through the creation of a surprising and delightful cuisine.

But how in the midst of this smoggy streetside mayhem, I wondered, could anyone enjoy food? I was interested enough to wander over to the carts and sit down.

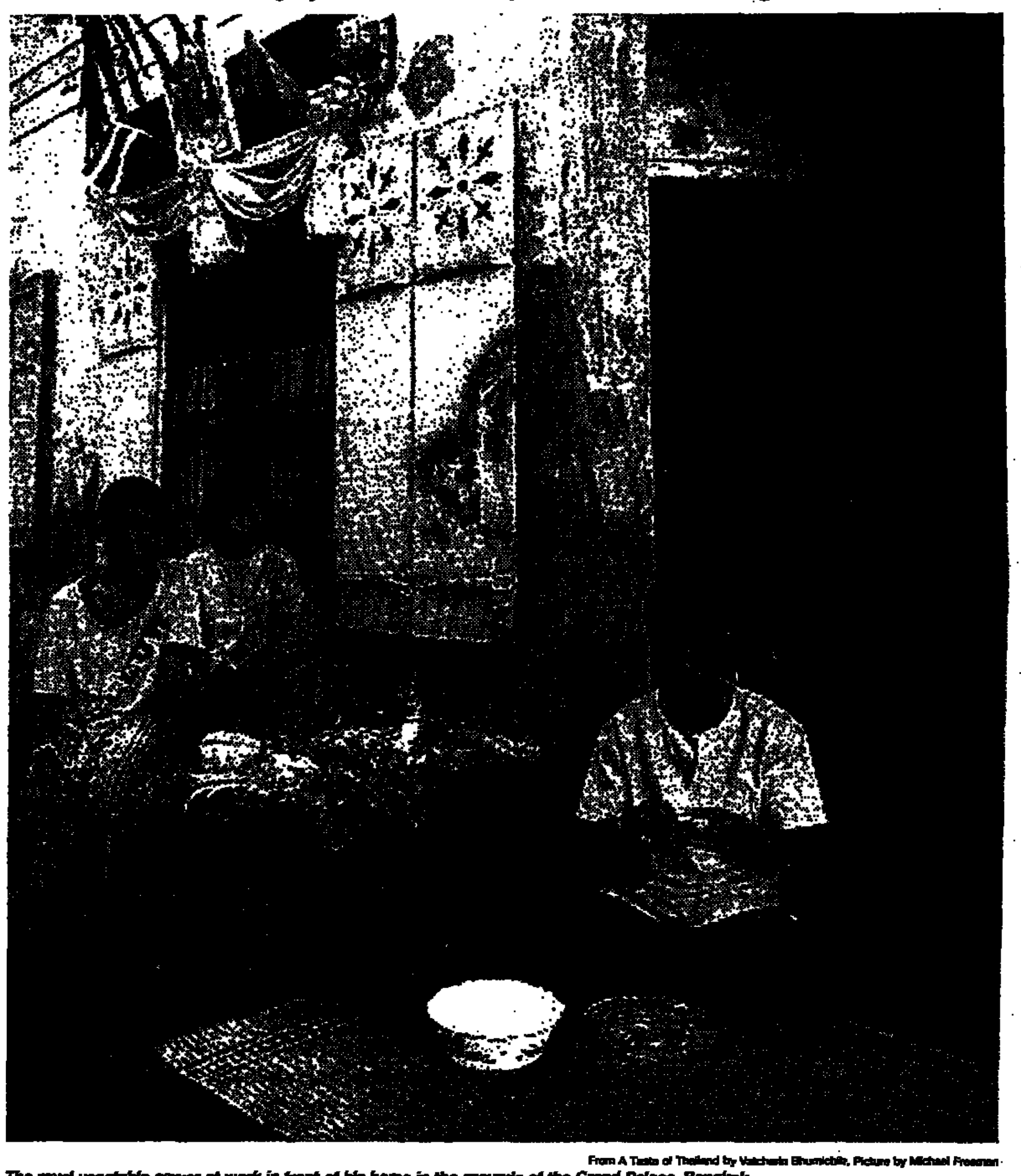
The scene was strictly Asian urban minimalist – metal tables and chairs on the sidewalk, a plastic bucket for dish washing in the gutter, Coke cases stacked against the wall. Nor did the food itself look like much; when I pointed vaguely at the first pot at hand, what was placed in front of me in a plastic bowl looked like a green, sludgy and nondescript stew. I could not have been less expectant.

But the moment I put a spoonful in my mouth I knew that this was worth exploring. Here were fresh, lively, unfamiliar flavours – chillies and pungent herbs, sharp lemon and milky coconut tastes, sweetness and subtle spicing. All blended wonderfully, transforming ordinary chicken. Thai green curry showed me that there is little time to waste in Bangkok after all.

A good way to get to know a food is to eat it. Even better is to cook it. But getting to know Thai food presents problems to the westerner. Many ingredients – roots, leaves, chillies, fermented concoctions of fish and shrimp, liquid extractions of fruit-pods and trees – are so strange and exotic most of us do not even know how they look, much less how they are used.

More challenging still, the flavour combinations produced in Thai cooking are wholly unexpected and take a leap of the imagination that not everyone, at first, might have. Nor do Thai cooking methods much resemble anything in the west – when was the last time you used a pestle and mortar, or steamed food in a banana leaf?

Put all these elements together, add the problem of language, and you are left with one solution: going back to school. After tasting green curry I enrolled at the Thai Cooking School at the Oriental.



From A Taste of Thailand by Vatcharin Bhumichitr. Picture by Michael Freeman

The royal vegetable carver at work in front of his home in the grounds of the Grand Palace, Bangkok

There is no sweaty-palmed swotting in the Oriental's classrooms. For the next five mornings I was ferried over the Chao Phya River in a hotel launch; awaiting me on the other side, in an old-fashioned colonial building surrounded by tropical gardens, was a small class and Sarnsern Gajaseni, cookery instructor.

Sarnsern believes that cooking, like eating or any other worthwhile endeavour, should provide pleasure. But the greater the knowledge, he admits, the greater the pleasure.

Thai food is like nothing else on earth. At the crossroads of south-east Asia, this country has borrowed from the two cultural giants that loom over it. From China it has taken ingredients such as noodles and techniques such as stir-frying. From India it learned about about the use of spices in giving subtlety and infinite variety to even the simplest of foods. Nor is a western colonial element missing – Thai cooking would be unrecognisable without the hot chilli, gift of the Portuguese who brought it from South America.

What sets the seal on Thai cuisine, though, are the country's distinctive local ingredients. Sarnsern spends time familiarising students with their look, feel and taste. I already knew coconut, garlic, and soy sauce, but am now more at home with a score of other Thai indispensables – lemon grass, coriander, tamarind, basil, Thai ginger and kaffir lime leaves, fish sauce, shrimp paste and others. I can even judge, approximately, the various firepower of half a dozen different kinds of chilli.

Knowing what to do with them all is, of course, another matter. The best way is to watch someone who does.

Part of this involves learning simple techniques of manipulation. Ninety per cent of time in Thai kitchens is spent in preparation rather than actual cooking – rarely more, for most dishes, than 10 or 12 minutes. The fine slicing of vegetables, chopping of meat or pounding of fresh herbs requires little specialist skill. But how, for example, do you extract the delightfully tart and fresh flavour of tamarind from a sticky mess of seed pods, or make two kinds of milk, thick and thin, from the meat of the coconut?

There are tricks and tips to be learned that can make Thai cooking convenient in the west without denaturing it too far. For example one need not extract, grate and hand-squeeze fresh coconut meat two separate times to obtain two kinds of milk. It is much easier, I discovered, to stick a tin of coconut milk into the freezer – it will separate itself, the thick milk rising to the top. Or, if fresh Thai spices are unavailable, I know now that soaking them in water and lemon juice before use will bring out more flavour. And, if time is really tight and I cannot make my own fresh Thai curry paste, I know how to liven up a commercially-prepared paste with a few ingredients.

The real skill of the Thai cook, however, lies not in physical technique, but in the complex and carefully calculated combination of flavours he gives to his sauce, dip, soup salad and curry bases. Thai cooking requires only small quantities of meat, fish, poultry or seafood, and the vegetables used are generally bland – everything rests on the inspired but judicious use of herbs, spices and condiments.

The days slipped by and we worked our way through the Thai repertoire. We watched the construction of fiery dips made of chillies, fish sauce, lime juice and palm sugar; mild dips of shrimp paste, coconut milk, and smoked fish; hot and sour soups using prawns and Thai ginger, coriander root and basil, spinach and dried shrimps; spiced salads of squid and mint, lime leaves and shallots, chillies and lemon grass.

By the time we got to the deep-fried noodles, the steamed dishes, the stir-fries and the oil and coconut-based curries – to my mind the apex of Thai cooking – we were over our astonishment at incongruous-sounding combinations; salty, sweet, sour, and hot – all flavours can be combined to happy effect as long as there is a harmonious balance. We had also learned not to be afraid of keeping hot dishes hot with their full compliment of chillies – such dishes are never meant to be eaten alone, but found on the table with milder, cooling fare.

Perhaps the most agreeable principle to be learned in Thai cooking is that there are no hard and fast rules. Thai cooks operate on personal taste and the intuition that comes from experience. Where one household might use three spoons of lime juice for a particular dish, the house up the road might use six and the one opposite none, or wine vinegar instead.

How does the enthusiastic amateur get the experience to allow full play to his or her creativity and intuition? Sarnsern advises three procedures. Get and use a good cookbook. I have bought Vatcharin Bhumichitr's *The Taste of Thailand*, (Asia Books, £10.99, 223 pages), and find it excellent. Work by experimentation, using small quantities of spices at first and gradually increasing them according to preference. Last, expose yourself to as much good Thai food as possible. It is a good reason, I think for heading back to that monster of a city.

■ *Information about the Oriental Hotel's cooking courses may be obtained from The Thai Cooking School at the Oriental, 48 Oriental Avenue, Bangkok 10500, Thailand. Tel: (662) 2360400, Fax: (662) 2361939.*

■ *Reservations at the Mandarin Oriental can be made from the UK on 0345-581442.*

Say it with chocolates

It is cheaper than champagne, and more environmentally friendly than rhinoceros horn. You can eat it, drink it, cook with it, sculpt it or, following the example of contemporary artist Anya Gallaccio, melt 325 bars and paint your walls with it. Chocolate – even for the less avant-garde – is rightly among the most popular of Valentine's Day gifts.

The quality and variety of chocolate available in the UK has increased greatly in recent years. Thornton's Confectionery has nearly 500 outlets throughout the UK. For Valentine's Day, it will ice a message of your choice on to a chocolate heart, which, at £2.99 including the presentation box, is hardly more expensive than a card.

Belgian chocolate maker Godiva is famous for a high quality *couverture* and a characteristic *praliné* filling. The *pralinés*, moulded into Valentine hearts and covered with milk or dark chocolate, are available individually or in lavish quantity, boxed in red and gold (£15 per lb). Godiva's range also includes fillings of marzipan, liqueur, and fresh cream. *Dame Blanche* is a dark chocolate cup filled with coffee cream and a walnut half, covered in white chocolate. Godiva's main shop in the UK is at 247 Regent Street in London, with concessions at Selfridges and Harrods, and there are 1,400 outlets worldwide.

If your tastes run to the more erotic, Aphrodisia in London's Shepherd's Market (071-499 2901) offers a chocolate selection pointedly called *Avant l'Amour*, at £8 for a ½ lb box. Vanilla, coconut and ginger are used in the centres.

The most exclusive maker of fine British chocolate is Charbonnel et Walker, established in 1875 and still retaining the grace of an earlier age. Charbonnel's presentation boxes have been collectables since the days when they came with tiny silver tongs, to prevent the soiling of evening gloves and any unseemly rustling of paper in the dress circle.

C&W's boxes, from a miniature two-chocolate size to a 10 lb box, are still hand-made: covered in coloured silks, moiré or Liberty print, and charmingly trimmed. Charbonnel's range includes a paradisal strawberry white truffle, and lips and hearts moulded in solid milk, plain or white chocolate. You could spell out your love in letters from a chocolate alphabet (all £16 per lb).

C&W's single shop is at 1 The Royal Arcade, 28 Old Bond Street, London, W1X 4BT and there is a mail order service (071-491-0939).

Mandy Bentley

Have a heart on Valentine's day

***Josephine Fairley** chooses presents for women and **John Morgan** gifts for men*

One Valentine's morning, I awoke to find a furry bear – sporting a pair of diamond ear studs – on my doorstep. As romantic gestures go, this scored full marks for technical merit and artistic impression. Such gifts also last much longer than chocolates.

But tastes in jewellery are extremely individual and, since the choice of a Valentine's gift – even more than Christmas or birthdays – is meant to be a surprise, men who do not know the preferences of their love might be in difficulty.

Most women's jewellery boxes are cluttered with bijoux that failed to please. Follow these pointers, however, and you should succeed in combining surprise with pleasure.

An efficient business woman will, almost certainly, want a jewel as simple and low-key as her wear-it-and-forget-it Armani and Donna Karan suits. Thus, Tiffany's gold heart-shaped locket (£505), a timeless, modern classic (for mail order, ring 071-409 2790): or designer Eric van Peterson's stunningly simple, brushed gold effect, heart-shaped drop earrings (£9.95) from mail-order jewellery company Caura (071-351-7886).

Mothers of small, demanding children enjoy any Valentine pampering as a welcome relief from Pampers. And those spending time with toddlers soon discover that a certain indestructibility is not a bad thing in a jewel: for instance, the Forever Set heart pendants which use an innovative process to make diamonds appear suspended in mid-air, like Perrier bubbles. By Fior Dressage, these start at £150 from Mappin & Webb branches and Mallory's of Bath.

At the Lesley Craze Gallery, 34 Clerkenwell Green, London EC1 (071-608-0393), fat acrylic hearts in jelly-bean colours, dotted with gold, will not break the bank at around £17.

For a woman fond of dogs, horses, children and the countryside, it is wise to opt for a conventional gem. If money is no object (and you are sure she wouldn't rather have a new Aga or conservatory), then she is guaranteed to appreciate Kiki McDonough's amethyst heart earrings, set in 18 carat gold with tiny rubies and light-catching crystal drops (£925 from 77c Walton Street, London SW3 (071-581-1777).

If antiques are more to her liking, Sandra Cronan (18 Burlington Arcade, London W1, 071-491-4851) is offering an exquisite enamelled gold locket dating back to 1870. It is decorated with flowers, overlaid with a gold cherub. Price £4,600 (071-491-4851).

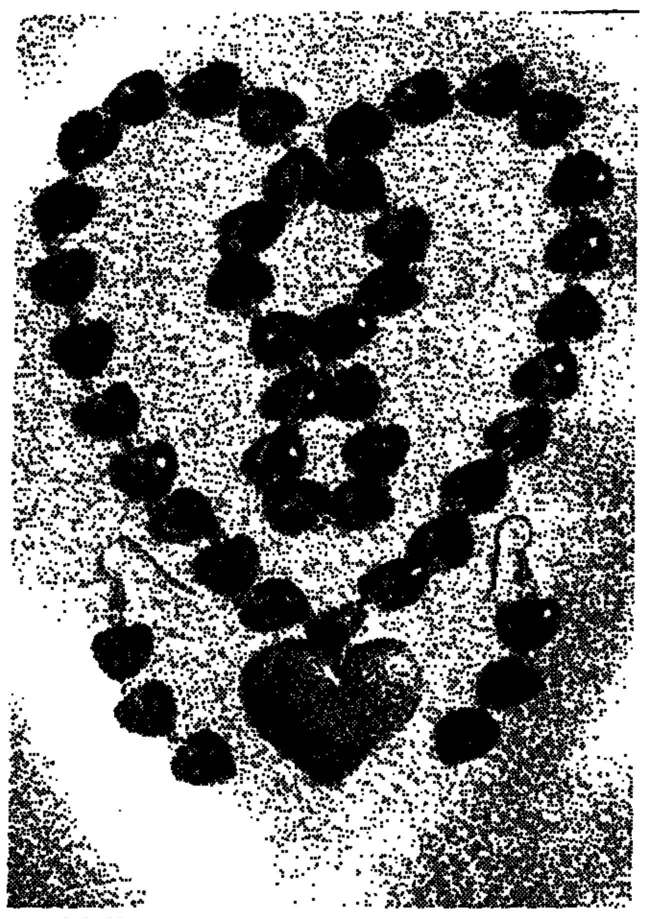
If she is a bohemian creature who likes to think she's a one-off, her heart might won with a unique, hand-crafted, and highly individual jewel. First stop, then, is the studio of mosaic master Andrew Logan (071-407- 6575).

He has mirror heart brooches (sized from 1-2 inches) in dazzling red, peacock, silver or harlequin colours and priced from £50.

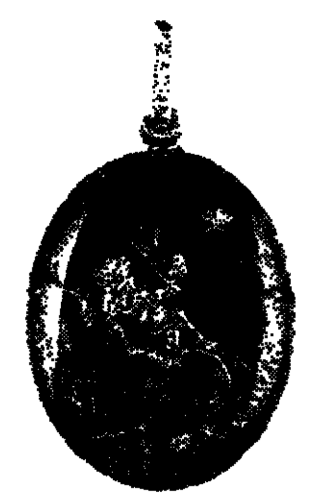
More extravagant pieces can be found at Electrum (21 South Molton Street, London W1, 071-629-6325): a necklace of amber chunks, with a heart-shaped pendant (£800 plus VAT), or Michael Bateman's modern copper, silver and brass heart pendant on a silk-braided cord, (£360 plus VAT).

Any female with the litheness and girlish taste in clothing of model Kate Moss (but not her bank balance) is unlikely to have graduated – yet – from affordable silver to the indulgence and grown-up sophistication of real gold. In which case, suitors would be wise to flick through the new Caura catalogue (071-351-7886).

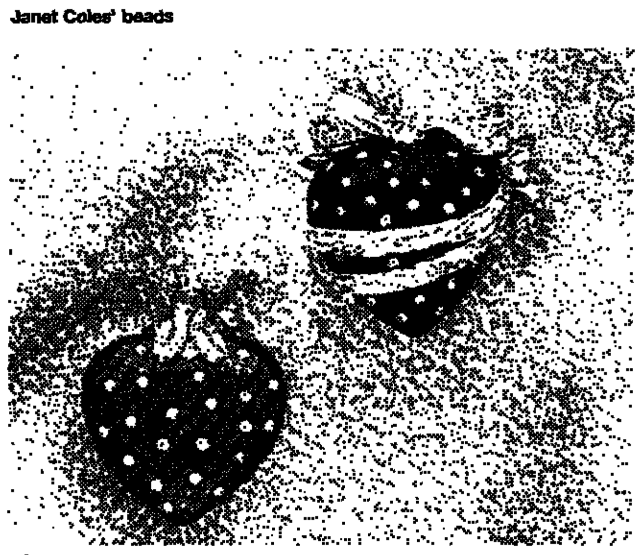
This features hallmarked sterling silver rings engraved with romantic sentiments, or raised hearts on a silver band.



Janet Coles' beads



A Sandra Cronan antique



A Verdura rose quartz and diamond heart brooch

These can be worn singly or several at a time, depending on the depth of your affections and the length of her digits. Prices are from £28.50 to £32.

Prove you are trendy with almost anything from 34-year-old jeweller Dinny Hall, a former British accessory designer of the year. Valentine offerings include Moorish silver filigree heart earrings (£14), or pastel, semi-precious jewels dangling from tiny heart earrings (£18.50 for silver, £22.50 for gold). Dinny Hall is at 200 Westbourne Grove, London W11 2RH (071-222-9002).

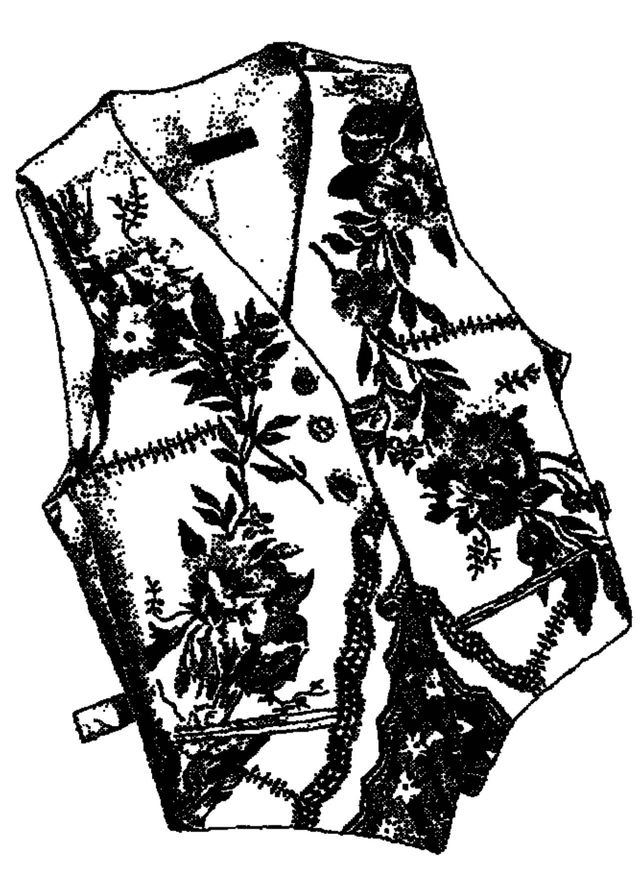
Her bedtime reading is Vogue rather than Verlaine? She will wear any colour so long as it's black? French jewellery name Agatha, which has a boutique at 2 South Molton Street, London W1, offers items which confirm that style and romance are linked inextricably: chunky gilt hearts (£6) to loop on to hooped earrings (£12) or worn hanging from an elegant black velvet ribbon choker. A matching charm bracelet, with weighty hearts and crosses, will cost you £30. (For Agatha's mail order catalogue, call 071-495-2779).

At Clive Ranger, unusual pink diamonds – ranging from delicate pastel rose to a deeper hue – are fashioned into rings or can be set in a one-off commissioned design. Prices range from £360 to £2,000 at Ranger shops: 2-4 Castle Arcade, Cardiff; 251 Oxford Street, Swansea; and 6-7 Old Bond Street, Bath, Avon.

At Verdura, the jeweller in St James's, London, money-no-object options include an amethyst, gold and diamond heart-shaped brooch, topped with a gold-and-diamond cupid that will make her putty in your hands; price £18,000, to order. (Call Harry Fane at Verdura: 071-930-8606).

Clive Ranger diamonds

Last but not least, an inspired alternative to the mushy card you were planning: a simple, golden, heart-shaped bead from Janet Coles Beads (128 Notting Hill Gate, London W11 3QG; call 0905-755888 for mail order), plus a fine strip of leather on which to thread it.



Silk waistcoat from Orford and Swan

Men tend to get a raw deal on Valentine's day. They are expected to provide flowers and romantic dinners but are lucky if they receive a few anonymous cards, a bottle of champagne and two painted glasses.

But how does a girl show she cares? The secret is to keep well clear of most things emblazoned with, or shaped like, a heart, which most men find tasteless – even embarrassing.

The ideal Valentine present can take two forms: the transient, such as something delicious to eat or drink, or, more subtly, a romantic *aide-mémoire* – a personal object that only a loved one could have chosen and will remind him of the sender.

This was taken to lavish proportions by a French woman who celebrated February 14 with two portraits – one of herself to hang in her husband's office, and one of him to grace her drawing room. The idea was that they would never be too far apart.

Flowers remain the universal love token. While they might make some men uncomfortable, the more sophisticated are unlikely to feel their virility compromised. But the flowers should not look feminine and red roses should be avoided at all costs.

McDonough range

Penhaligon's scent

Florist Ming Veevers Carter at Chelsea Gardener (125 Sydney Street, London SW3; tel. 071-370-0549) creates masculine-looking arrangements and, for the man who finds flowers *outré*, she can build fresh, miniature topiary in assorted shapes and designs. Prices start at £20.

For a different, affordable luxury, try some soft cotton batiste pyjamas from Budd (Shirtmakers), 1a & 3 Piccadilly Arcade, London SW1, tel: 071-493-0139). Available in a selection of colours they are made properly and generously and have contrast piping. Price: £95.

The romantic dresser will appreciate a silk waistcoat from Orford and Swan (5 Church Row, London NW3; 071-495-4103). Taken from Beauvais, Aubusson and Savonnerie designs from the 17th to early-19th centuries, the company's waistcoats are some of the most elegant on the market. Price: £315.

When it comes to underwear, remember Calvin Klein is a brand that seems to have universal appeal to men. Styles range from classic boxers to more athletic underpinnings at Harvey Nichols, Knightsbridge, SW1 (071-235-5000).

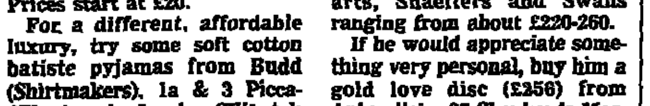
If choosing a tie, go to Turnbull & Asser, 70 Jermyn Street, London SW1 (071-930-0502). It still sells the best neckwear in London.

Accessories could include enamelled gold cufflinks from Kiki McDonough, 77c Walton Street, London SW3 (071-581-1777). Motifs include shooting, fishing, golf, a camera, dogs, the houses of parliament, monogrammed slippers and a magician's hat. The workmanship is very good but, at prices from £975, these are probably only for the most ardent of admirers.

For a more less costly assortment, go to Paul Smith (41-42 Floral Street, WC2; 071-379- 7133) where you will find light-hearted cufflinks at good prices (around £32) including ovals painted with LO and VE.

If your man's tastes extend to the antique, you could invest in a pen from Jasmine Cameron at Antiquarious (131 Kings Road, London SW3 (071-351-4154); the carefully reconditioned collection includes vintage Conway Stewarts, Shaeffers and Swans ranging from about £220-260.

If he would appreciate something very personal, buy him a gold love disc (£256) from Aphrodisia, 25 Shepherds Market, London W1 (071-499-2901). Available in three types of gold, you can have it inscribed.



Antiquarious has a wide selection of fountain pens

Kiki McDonough cufflink

Aphrodisia's chocolates, Avant L'Amour, are delicious and include ingredients reputed to have aphrodisiac qualities: ginger, which is said to stir passion; coconut, symbolic of fertility; and Venus's own fruit, strawberry. Prices start at £8.

For the man who cooks, there are two suitable recipe books – *The Foods of Love*, by Max de Roche (£8.50), and the charmingly arcane *La Cuisine Aphrodisaque* (around £12.50) which has 200 sensual recipes from throughout the ages.

The man who needs to be coaxed into a slightly healthier lifestyle might enjoy a short stay (from £110) at Claridges hotel, Brook Street, London W1 (071-629 8860), where male guests can use the exclusive Bath & Raquets Club. Annabels without the dancing, it is the most civilised and best-decorated health and fitness club in London.

More modestly, he might enjoy a Health and Fitness Day at Champneys, Le Meridien, 21 Piccadilly, London W1 (071-437-8114), which costs £95 a person and includes use of the swimming pool, whirlpool, sauna, steam room, squash courts, gymnasium, cardiovascular room, a supervised workout, lunch, body massage, facial, manicure and pedicure.

The ideal olfactory Valentine comes from Penhaligons (081-809-7799), which will engrave scent bottles with entwined initials, two characters with a heart, or a loving inscription. Prices from £20.

Finally, two unusual Valentine gifts. The first is a romantic sojourn in Le Touquet with Love Air, a small airline that flies from Biggin Hill or Lydd airports in Kent and organises tailor-made holidays in and around the French coastal resort. Prices start at £165 a person for flights and a two-day stay (0279-681435).

The second is musical. The Serenading Service (071-792-1419) will send an opera singer with guitar accompanist to any venue in central London to serenade your lover with two choice romantic arias. Prices start at £250. Definitely for the man who does not mind being the centre of attention, this present will leave him in no doubt about your intentions.

■ *Illustrations: Ashley Lloyd*

Gifts for lovers

Hearts on black enamel ring, £145, Wright and Teague. Ring 071-729-5363 for stockists

Silver cufflinks, £50, Paul Smith Floral Street, London WC2 (071-836-7828)

Earrings, £24, from Cobra & Bellamy, Sloane Street, London SW1 (071-730-2823)

Silver bangle, £60, by Tiffany, Old Bond Street, London W1 (071-409-2790)

Silver charm, £96, from Wright and Teague. Ring 071-729-5363 for stockists

Pendant, £195, Van Peterson, Walton Street, London SW3 (071-589-2155)

FASHION: THE GLOBAL WARDROBE – GOING OUT TO DINNER

When in Frankfurt...wear earrings

In the second part of our series on dress codes around the world, five FT writers look at dressing for dinner

TOKYO

Michiyo Nakamoto

Going out to dinner is a very different affair in Japan than it is in Europe or the US and is definitely not the occasion for serious dressing up.

In Japan, people do not have to worry much about what to wear to a private dinner party since they are unlikely ever to be invited to one, especially if they live in a city. This is not unfriendliness but most Japanese homes are simply not built to accommodate such gatherings.

Casual dinners at a close friend's home are, however, common. Everyone, including children, gathers to enjoy a sukiyaki pot.

One slightly more formal occasion would be the new year's visit to pay respects to a company superior or business associate. On these visits, which often involve eating, drinking and being merry, women might dress in traditional kimonos or wrap themselves in a silk dress and fur coat. The more adventurous men might opt for kimono and wooden clogs.

A formal evening dress, tuxedo or tails would turn heads in any restaurant since such attire is normally reserved for weddings, or in the case of tails, funerals.

Men, would, more often than not, be found in their familiar suits and ties, if not a more casual button down shirt and jacket. Three-piece suits are a rarity while bow ties, sadly, are for the most part only seen on so-called "talents" who keep the action rolling on late night TV shows or on sleazy characters pushing cheap thrills in the back streets of Shinjuku.

Among the trendier crowd, fashions for dining can be more diverse and daring. Designer labels such as Ingeborg, Melrose and Bigi, internationally acclaimed styles from Issey Miyake, Jean Paul Gaultier or Sonia Rykiel, all sit in stylish restaurants.

LONDON

Brenda Polan

Once everyone knew what dressing for dinner meant. It was one shade of importance below dressing for a ball. Men wore a formal dinner-suit (black tie, no tails) and women wore full-length gowns which, depending on fashion, age and marital status, might or might not be fairly bare in the shoulder and bosom regions.

In modern times, however, there is much confusion. If an invitation does not specify dress, then the hostess, if not the host, will be harassed by calls demanding just how formal an affair it is likely to be. "What will you be wearing?" is the vexed question which pins her down and makes last-minute changes of mind a source of instant enmity.

It has always been tougher for women. They have excessive choice and their peers are harsher judges. Among men, a few conservative diehards may expect other chaps to play by Savile Row rules, but most are, within sensible limits, unobserving and unjudging of each other's attire. Consequently, as leisure-time dress codes have relaxed, men's have relaxed faster and further than women's.

To the eyes of a time-traveller from the first half of the century, most private London parties in the 1990s would look rather as if milady was entertaining her female friends and their plumbers, gardeners and general handymen. While women seize the opportunity to dress up, men grasp at the chance to dress down.

At well-laden tables from Islington to Chelsea, from Hampstead to Fulham and from Kensington to Crouch End, the chaps sprawl happily in jeans and shirt (T-shirt if it is summer, washed silk Equipment version if they are making a big effort).

The women, on the other hand, will have gone to a lot of trouble. Some will be wearing cocktail frocks, some long skirts, some trousers. Some will be bare-shouldered and seriously cleavaged.

Some will merely have piled some costume jewellery on what they wore to the office. The majority will, once again, be in black – safe, non-aggressively glamorous. But all will have seen the dinner invitation as inspiration to some newly-forbidden narcissism, some therapeutic mirror-gazing, lip-liner and mascara. The 1990s may eschew vulgar display but, in the female of the species at least, dressing for the occasion is only polite.

NEW YORK

Patrick Harverson

Deciding what to wear for dinner at a friend's home does not trouble most New Yorkers. This is because eating out in the city almost always means eating out at a restaurant – there are approximately 25,000 to choose from (more per head than anywhere in the world), and Manhattan apartments are famous for their tiny kitchens.

Dinner parties are as rare as a yellow cab in a Fifth Avenue rainstorm. Power eating, while not what it was in the 1980s, is still alive and well in New York, so power dressing should not be far behind. Well, not exactly, because when it comes to dining out, New Yorkers choose their restaurants more carefully than they choose their clothes.

Whether you are eating at Daniel Boulud's new Upper East Side restaurant, at Bouley in Tribeca, or upstairs at Cafe Tabac with Barry Diller and Jack Nicholson, what you are wearing is not so important as where you are seen wearing it.

Thus, while eating out at New York's best restaurants can still be one of life's more glamorous experiences, New Yorkers do not generally make too much of what they wear to dinner. People just want to be fashionable, and comfortable.

For women, sophisticated but simply-cut fashions from Donna Karan, Calvin Klein and Jill Sander are popular, with Comme des Garçons, Dolce & Gabbana and Giorgo Armani favoured by the younger crowd. Flares, like the city's cockroaches, are unfortunately everywhere. Three colours dominate – black, black and black.

Men are more conservative when it comes to dinner wear, and prefer the suits or jacket-and-trousers combinations they would wear to the office. The styling, however, can be funkier and looser. Only a handful of restaurants still insist men wear ties, so tieless buttoned-up shirts under a sharp sports jacket are common, especially among pony-tailed ad executives.

The most New York of styles for dining out, however, remains what can only be described as the "contrarian" look. Contrarian dressing allows you to wear a $3,000 Armani suit when dining at a cramped downtown bistro, and jeans and leather jacket when eating out at a swanky uptown restaurant. The idea behind it is simple – you stand out from the crowd, but still look great.

FRANKFURT

Chris Parkes

Dinner time is show time, and everyone makes an effort. Even the waiters. Diamond stud earrings twinkle, while tortoiseshell alice bands restrain the "romantik-look" shoulder-length locks favoured in certain Italian quarters, keeping them out of the soup.

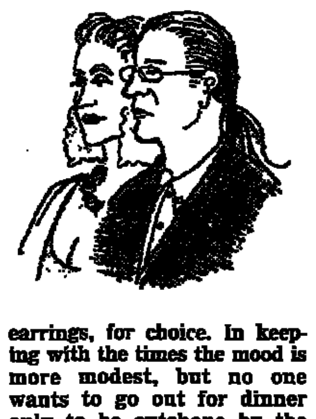
South of the river Main in youth-conscious Sachsenhausen, the anything-goes rule applies with a vengeance. No-one can match young Frankfurters' skills in studied scruffiness. The bag-lady principle is heavily applied: five layers of shirts, vests and waistcoats, all visible and all costly.

Failure to wear jeans at every hour of the day appears to be a mortal offence. Unbuttoned flannel shirts (the business this autumn) show off either extravagant underwear on the women or depilated tanned male chests. Carefully-slit jeans reveal the flesh on both sexes.

The quality improves, but the entertainment-value fades further to the north, in central Frankfurt's restaurants and beyond in the suburban uplands of the Taunus hills, where seasonable Steinpilzen cêpe mushrooms at DM20 (£7.60) a mouthful, set off the diners' lingering tans.

Rising numbers of grey pony tails on male heads reflect Karl Lagerfeld's hero status and the local shortage of barbers not trained in the slash-and-burn school. But apart from when they are rigged out in black tie – every man dressed like a conjuror – the men are a dull lot. Dark suit, white shirt, long face.

The fluffy jumpers plague appears to have abated among Frankfurt women who have adopted a nattier style for dinner. It is acceptable to wear a pair of posh-label jeans coupled with a white cotton shirt and a black blazer in the stuffiest restaurants.



Jewellery is crucial: emerald earrings, for choice. In keeping with the times the mood is more modest, but no one wants to go out for dinner only to be outshone by the waiters.

PARIS

Alice Rawsthorn

Gone are the days when a fashionable dinner in Paris meant making a three-star reservation six weeks in advance at a cathedral of *haute cuisine* and praying that your slinky Azzedine Alaïa number could cope with the calorific challenge of six or seven courses.

Times have changed. Parisians have not actually gone grungey, but life is much more casual than it used to be. These days the chicest places to eat are the *guinguettes*, the quaint old 1940s music halls along the banks of the River Seine, or at little village bistros on the fringes of the city, preferably one where you are on first name terms with the *patron*.

The clothes are different too. Alaïa is out. Anne Demeulemeester, with her elegant black velvet tunics, is in for younger *Parisiennes* as is Rei Kawakubo, of Comme des Garçons, for her exquisite brocade dresses, and Helmut Lang with his purist trouser suits.

Even the older generation is eschewing the showy styles of the 1980s for a more subdued 1990s look. Prada's understated suits have supplanted Chanel as the uniform for less formal dinners and antique *couture* gowns are being dusted down for grander events.

Illustrations: Lucinda Rogers

Dress codes for men are almost always less strict in Paris than in London. Black tie is reserved for the most formal occasions. Men of all ages can wear virtually what they want even to the most expensive restaurants, although they must *always* be immaculate.

Younger men tend to favour soft, unstructured suits. Waistcoats are back this season, although *the* trademark for the truly fashionable *Parisien* is to wear his shirt flapping *outside* his trousers – and still to look smart.

TRAVEL

Where you can find the rain in Spain

When the future Emperor Charles V inherited the Spanish throne at the age of 17, he immediately set off from Flanders to claim his Iberian birthright.

He went by sea, as many do today. But instead of reaching the port of Santander, his navigators, who were suitably ashamed at their mistake, arrived instead off one of the wildest stretches of the Spanish coast, facing head on, at a distance of six leagues, those fierce and pinnacled mountains known as the Picos de Europa.

The Lowlands-reared Charles and his courtiers had never seen anything much higher than a midden, and they were definitely impressed. One look at the mountains and they concluded that the distance was a single league, not six, says the Flemish chronicler, Laurent Vidal, describing the events of late September, 1517.

Today the Picos, although barely 10,000ft high, still leap up behind the coast in a stunning exhibition of snowy-coloured limestone, offering the spectator a curious mixture of delight and awe.

They also shelter in their midst a shrine and national park recording the occasion, in the 8th century, when the Spaniards first defeated the Moors, who until then had been all-conquering and had made the peninsula an advance-guard of Islam.

The place is Covadonga, the Spanish victor's name was Pelayo, and the sacred cave of Pelayo and its numinous Virgin are meant to mark the start of the centuries-long reconquest from the Moors, giving the Picos range a special resonance for Spaniards.

You can climb right up these mountains if you have the ropes, hooks and know-how; or walk in and out among them through amazing gorges; or take high paths that are reasonably safe and well defined. But if you are just that fraction more sedentary, you can equally well drive round them in a couple of days. Naturally, this could be extended to include a walk or two, or simply to allow more time for taking in the scenery – so long as the weather is kind.

The possibility of mist and rain is a real one on Spain's Green Coast – why else would it be green? – but I myself, although properly pessimistic about the weather in these parts, have made the trip three times in the past three years, once in summer, twice in winter, and each time under cloudless skies.

On the last occasion I started off from Llanes, a little fishing and holiday town on the Asturian coast. As well as possessing some excellent beaches and most of the Picos de Europa, the region of Asturias is famous for its cider.

Rather rashly, considering how curvaceous the roads would be, I had repaired the previous evening to an excellent little cider house and fish restaurant in Llanes, called El Riveru.

From there the proprietor, named Manuel Batalla (ready, as his name implied, for any contest) had swept me off to a festival at a nearby village: incredibly loud music, much jocund dancing and more cider at every turn.

We wound up in a bar way above the coast where the clientele, at

Adam Hopkins experiences delight and awe in the Picos mountains of northern Spain

3am or 4am, lifted up their heads as one and started on Asturian folk songs about lost love, drowned fishermen and coal miners buried underground. Tears, I may say, pricked the eyes; my skin became gooseflesh. And – yes – the road next morning was even wigglier than I remembered.

From Llanes you trundle along the coast eastwards for a while, the Picos hidden by a great rib of intervening rock. But soon the route strikes inland along the banks of the river Deva – boaty, salmony, delectable – to enter a limestone gorge of shocking beauty and asperity. Griffon vultures wheel overhead, with specks of eagles stacked up even higher.

Gaunt cliffs and spires of rock come tumbling down, trees grow here and there in silly places, and the road buckets in and out as you swivel along. There is a wonderful interruption at the lost little village of Lebeña for a church in the style called Mozarabic – Christians building in the Moorish manner with horseshoe arches and abstract patterning.

Soon after that the valley broadens, so well-protected by the surrounding heights that it grows grapes and a mass of Mediterranean plants. Here you will get the first full view of mountain wall and peaks – those of the eastern massif, entirely thrilling to the upturned eye.

You could spend the night in the little town of Potes, capital of the eastern Picos which spill over into the region of Cantabria. There are hotels and restaurants, and *hostales* for the young and less affluent. But at the price of having to come back the same way, it is worthwhile carrying on through Potes right up into the mountain range, striking for a spot named Fuente Dé.

Up here there is a parador, one of Spain's chain of state-owned, state-run and generally excellent hotels (this one is rather gaunt) and a cable car to the top of a high rock-cliff, whence even higher expeditions are possible on foot. The whole place is a mass of rock and thrilling verticals with meadows, Alpine-style, beneath.

Half-way up from Potes to Fuente Dé you pass the Hotel del Oso (or Brown Bear), more comfortable than the parador and serving unquestionably the best food roundabout. Try their *cocido Lièbana* if you fancy an assault course of chick peas, cabbage, pork, veal, mountain ham and paprika sausage.

Hacking back now to Potes, and picking up the journey proper along the southern flanks of the Picos, the road, which grows narrower and considerably steeper, takes you up and down, over tremendous passes where you will undoubtedly need at least a layer of warmer clothing if you decide to take a stroll or picnic. Then down you go, tumultuously, towards the gorge of the river Cares which climbs up with its attendant walkers through a world of pitted, water-riven limestone.

It is all tremendous stuff, with great rock skyscrapers and steeples, sometimes dramatically truncated, and villages in the valleys, stone-built and red-roofed, looking as if they have been extruded by the countryside, quite without benefit of human builders.

Eventually, by means of yet another gorge, the road swings round the north-west corner, offering first Cangas de Onis, capital of the western Picos, and soon the shrine and national park of Covadonga.

You will no doubt find a good many other visitors before you, but it is worth pushing on up the Covadonga valley even so, past vast car-parks and souvenir shops, the commercial apparat of sanctity, to encounter the minuscule Virgin in her rocky fastness, attended by praying nuns and any number of determined cyclists, all quite sweaty after the ascent.

Adam Hopkins

The bridge at Cangas de Onis, capital of the western Picos, and the way to the shrine and national park of Covadonga

There are more hills above Covadonga, extremely steep ones, whether for car or cyclist, and they lead to a pair of mountain lakes, high at the heart of the national park.

It is a toss-up whether this northern side of the Picos is more lovely than the south, but it is certainly better travelled, as you will find when you get back to the main road and run the length of the range again, this time from west to east.

Lovely it is, however, and comparatively restful, and it offers access not only to the peaks above but also, matching the savage aspect of the mountains, to the strongest, tangiest cheese in all Spain.

This takes its name from the mountain district of Cabrales. It takes its nature from the milk of sheep, goats and cows combined, and also from the limestone caverns where it is stored until maturity, acquiring, through naturally occurring moulds, a taste that rocks you on your heels and makes the palate throb and tingle.

Cider to start with, limestone in the middle, cheese to finish with – not a bad sequence for a mountain exploration.

■ *From Britain, the quickest way is to fly from Stansted to Oviedo, capital of Asturias, on Aviaco, the Iberia subsidiary (London tel: 071-830-0011), three times weekly, with hire car available via the airline; or fly to Oviedo from Heathrow or Manchester via Barcelona or Madrid respectively – much less convenient.*

Travelscene (tel: 081-427-8800) has an Asturian programme, with a rather limited range of hotels in the Picos. There is a much fuller range of hotels on a Brittany Ferries package, sailing from Portsmouth to Santander, November to March, and from Plymouth at other times. Two nights on the ferry (there and back, 24-hour crossing), plus seven nights in Spain, with hotels and B&B in Picos and approaches, costs from £226 per person.

Further information: Spanish National Tourist Office, 57 St James's St, London SW1A 1LD, tel: 071-499-0901.

SPORT / MOTORING

Winter Olympics

Ice skaters turn up the heat

***Keith Wheatley** focuses on the red-hot drama at Lillehammer*

Skating is *the* story of the winter Olympics, which start today in Lillehammer, a little town in Norway 120 miles north of Oslo. The hot news includes the return of Torvill and Dean; the physical attack on America's ice belle, Nancy Kerrigan; and the re-appearance of German star Katarina Witt – once described, *memorably*, as "sex on skates". All are themes that will have global audiences glued to their television screens.

British ice dancers Jayne Torvill and Christopher Dean won gold medals in the 1984 Olympics. Judges gave them unanimous 6.0s for artistic merit as they glided around the rink to Ravel's stirring *Bolero*. Their 100 per cent score is unique. Since then, they have been professionals, taking their own highly-profitable ice show on tour from the tropics to the Arctic.

They are taking a huge gamble in Norway, though. Revision of the rules by the International Skating Union allows professionals such as Torvill and Dean, Witt and US male gold medallist Brian Boitano to bid once more for glory at an "amateur" level. But it does not explain why they feel compelled to do it.

Kristi Yamaguchi, who won the women's individual gold medal in 1992 at Albertville, does not understand. She says she cannot imagine why anyone would turn their backs on the certain rewards of professionalism for the plain fare and butterflies of a fortnight at Lillehammer (pop: 23,000).

Since December, Torvill and Dean's comeback trail has included wins at the British championships and victory – by the narrowest of margins – at the more demanding European titles in Copenhagen. But no one ever has returned to the Olympics after a decade and won gold.

To this, Dean retorts: "Obviously, we think we can win. Jayne wouldn't be trying if we didn't think it was possible. We're not doing this to make up the numbers. It's costing us a lot of money, possibly into six figures if you include lost professional opportunities.

"We've been skating solidly for 10 years and we're better than we were in 1984. Doing six numbers a night in an ice show is harder work than one four-minute number. We've developed artistically and our stamina is just as good."

Their four-minute turn in Norway will be as a virtual reincarnation of Fred Astaire and Ginger Rogers, sashaying to the swing notes of *Let's Face the Music and Dance*. New ISU rules ban such highly-wrought routines as *Bolero;* the new ones are much lighter in tone.

Despite that, Witt is performing her routine to the idealistic 1960s' ballad *Where Have all the Flowers Gone?* Gold medallist in 1984 and 1988, she is only 28 and claims her return to the Olympic front-line is in pursuit of global peace.

Witt's recent progress, however, has been as erratic as the world's quest for harmony. She fell heavily when unveiling her new programme at a Frankfurt show, managed only second in her national competition, and burst into tears when a lack-lustre showing in Copenhagen left her no higher than eighth.

Yet, her supporters within skating – and they are legion – insist that Witt's forte always has been artistic and emotional expression on the ice. Triple jumps may be left to the youngsters but "Kati" can bring on the tears, especially for the big event.

Little by way of choreographed drama, though, could match the attack in Detroit last month on US skater Nancy Kerrigan. She was competing at her country's national championships and attempting to qualify for Lillehammer.

As the glamorous Kerrigan sat at the rink-side, an assailant smashed at her knee with an iron bar. Screaming in pain, she was taken to hospital. Later, Jeff Gillooly, former husband of Kerrigan's main US rival, Tonya Harding, admitted his involvement in the assault.

More damning still, Gillooly claimed to federal prosecutors that he, Harding, her bodyguard Shawn Eckardt and two other men conspired to injure Kerrigan and keep her out of the Olympics.

Harding has proclaimed her innocence and no independent evidence has been produced to implicate her. Nevertheless, the US Figure Skating Association plans a disciplinary hearing while leaving the actual decision as to whether she can compete in Norway to the US Olympic Association.

Adding to the confusion, one of the most powerful figures in the International Olympic Committee, Canadian lawyer Dick Pound, has suggested that while the matter remains in legal limbo, Harding should be allowed to take part.

Harding herself has launched a \$20m lawsuit against the USOA and sought an injunction restraining it from taking any action to discipline her before the resolution of any legal proceedings arising from the assault. US team spirit in Lillehammer should prove interesting.

Kerrigan, meanwhile, seems to have emerged with her position enhanced. She has been pronounced physically and mentally fit for the Olympics, and it is inconceivable that a team selector would keep her on the bench.

After watching her perform at a practice rink, US Olympic official Chuck Foster said: "If there were any doubt or any questions about Nancy Kerrigan's skating condition, she answered them for us totally."

■ With Monday's FT: A magazine guide to the Winter Olympics

Cricket / Canute James

Quick, quick, quick…slow

With Wednesday's one-day international in Barbados marking the start of international cricket action between England and the West Indies, there are some unusual concerns in the home camp.

Most particularly, with the first Test starting on Saturday in Bridgetown, there is uncertainty about the most effective weapon over the past two decades – fast bowling.

The four-pronged pace attack that has served the West Indies so well appears blunter than usual. And this could lead to a fundamental change in strategy, to be tried first against Mike Atherton's team.

Led by Curtly Ambrose, who has established himself as one of the best fast bowlers in the game, the West Indies selectors will turn to the consistent Courtney Walsh and a revived Winston Benjamin for support. But they will be hard put to make a choice from others.

Andy Cummins, Kenneth Benjamin, Linden Joseph, Barrington Browne, Franklyn Rose and Cameron Cuffy, to name a few, are all good pacemen. But following such aces as Michael Holding, Andy Roberts, Colin Croft, Joel Garner and Malcolm Marshall is tough.

The dilemma is forcing some new thinking. Holding says the West Indies can still have a feared four-pronged attack, even if one prong is a slow bowler. "If there is a spinner who is good enough, he should play," he insists.

The problem is that none of the specialist slow men appears ready to fill the breach. Those who may have aspired to emulate Lance Gibbs, the last of the great Caribbean spinners, have not been encouraged by the belief of selectors and spectators that the other test nations are vulnerable only to the West Indian quicks.

Amid all these anxieties about the bowling against England, skipper Richie Richardson remains unmoved. "I am not worried about our attack," he says. "We have the best combination in the world."

He believes that this, plus England's relative inexperience, will undo the visitors. "Although they have a good, all-round team, most of them have not played in the Caribbean before.

"We will win the series. We have the players who can produce the goods and we will be doing the same thing we have been doing over the years."

Richardson's confidence could founder on two factors, however. Except for the Kensington Oval in Barbados, none of the region's Test grounds has a pitch which helps fast bowlers.

The Bourda Oval in Guyana and the Antigua recreation ground traditionally are placid. Jamaica's once truculent and inconsistent Sabina Park is now astonishingly well-behaved. The Queen's Park Oval in Trinidad *will* take turn. But, except for part-time spinner Carl Hooper, the West Indies do not have anyone to take real advantage.

Secondly, Richardson's charges are in danger of being overtaken by tiredness brought on by too much cricket. Most of them spent last year playing not only in the West Indies but also in Australia, South Africa, England, Sharjah, India and Sri Lanka, from which they returned a fortnight before the start of the domestic season.

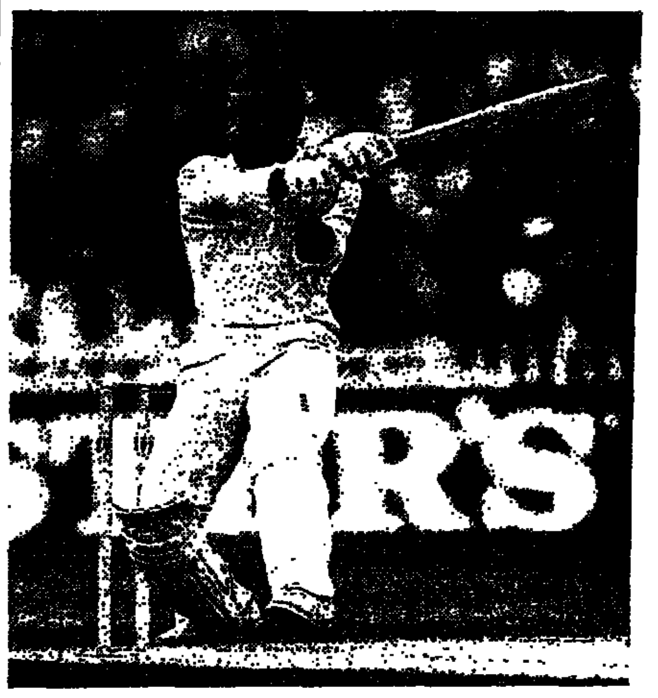
Richardson suggested that Ambrose and Walsh should get some rest before the England tour began – and then was forced to take a month off himself after his doctor said he had a low blood count and needed to rest.

That was hardly surprising since, over the past year, he had played seven tests and 28 one-day internationals in 23 different towns and cities, in addition to his first class and one-day matches for Yorkshire, his English county.

Meanwhile, as Atherton, leads his team against Barbados this weekend in the final preparation for next week's international games, he will have noticed that the leading West Indian bowlers have given little indication of being tired since the domestic season began last month.

And the established batsmen have been making runs, too. So have several Test aspirants, who are telling the selectors that they, too, deserve a place.

England beware.



Allsport

Richie Richardson … told to rest for a month

Soccer / Peter Berlin

The lesson for a six-year-old

Kane Jackson, aged six, is a football prodigy – according to his agent, anyway. Whatever the merits of that, it is clear the lad has already mastered the key elements of modern professional sport: the agent and a boot contract; a disarming, photogenic smile; and a level of public exposure for which most endorsement-hungry professionals would kill.

There is just one obstacle to a glittering future. Kane wants to sign for Manchester United.

United manager Alex Ferguson boasted this week about his rich crop of teenage talent. This includes four members of the England squad that won the European under-18 tournament last summer – Nicky Butt, Gary Neville, Paul Scholes and Chris Casper.

Then there is Kevin Gillespie, a slight, tricky winger from Northern Ireland who looked the best of the lot as United's youth team marched to the FA Youth Cup final last season. Inevitably, tabloid newspapers have dubbed Ferguson's youngsters his "babes" – an echo of United's greatest team, the Busby Babes, destroyed in the Munich airport crash 36 years ago last week.

These youngsters have been given first team squad numbers, and they train and travel with the first team. Even so, this season they have made just two first-team appearances between them, both as substitutes: Butt in the league against Spurs and Neville against Galatasaray in Istanbul when the European Cup tie was already lost.

Compare that with the other members of the European Under-18 squad. Robbie Fowler was in the Liverpool first team, and the club's top scorer, until he broke his leg. Julian Joachim is a regular, when fit, at Leicester City, while Darren Caskey and Sol Campbell have started most of Tottenham's games this season.

It could be that youngsters playing against seasoned professionals are more susceptible to injury. And, after United beat Spurs at White Hart Lane, Ferguson noted that Tottenham's young players looked tired. Their manager, Ossie Ardiles, agreed – but added that the experience they were getting would make them better players.

The problem is that picking teenagers is a risk, not just to the players but to the progress of the team – and Ferguson rarely takes that risk. Indeed, his squad contains only three established players who came through United's youth team: Ryan Giggs; Lee Sharpe, who cannot win a place in the first team; and Mark Hughes, whose Old Trafford career has been broken by spells at Barcelona and Bayern Munich. Ferguson has always preferred to buy the finished article.

Earlier this season he sold his son, Darren, a skilful midfielder to Wolves. Darren's chances of first team football had largely disappeared with the arrival of the expensive Roy Keane from Nottingham Forest. Keane is just six months older than Darren – yet, by the end of last season, he had played 114 games in the top division for Forest, while Darren, a Scottish under-21 international, had played just 24 for United.

In spite of Ferguson's team romping clear at the top of the Premier league, he cannot have forgotten the experience of two years ago when more or less the same squad looked a championship certainty but capitulated after Leeds put on the pressure.

If he cannot work out how to keep winning while giving his youngsters experience, they could find in a few years that their manager, needing battle-hardened players in their positions, has gone out and bought such veterans as Joachim and Caskey to fill them.

The lesson seems clear: if Kane Jackson really wants to play for United, he should become a junior at Forest.

Motoring / Stuart Marshall

Persecute the real sinners

Whatever happened to our sense of proportion? You will be glad to hear that I am not starting another political column. I am appealing for a little rationality and a degree of perspective about the latest shock-horror report on diesel cars, of which more in a moment.

For several years experts have agreed about the environmental merits of diesel cars. (No, not just motoring writers but real experts such as Ricardo Consulting Engineers, a world-renowned British automotive industry think-tank and development laboratory). It has pointed out that because diesel cars burn around 30 per cent less fuel than comparable petrol-engined cars in real world conditions, they put less unwanted gases into the atmosphere.

No-one disputes the fact that diesels produce less carbon dioxide – alleged to be responsible for global warming – and less poisonous carbon monoxide than a petrol engine without an exhaust catalyser.

Of course, all new cars with petrol engines have had to have exhaust catalysers since the beginning of last year. These get rid of the carbon monoxide emissions but do nothing for the carbon dioxide, which is directly related to fuel consumption.

And they have to run on unleaded petrol, which contains more benzene than leaded fuel. Benzene is a known carcinogen with no minimum safety level. Some medical opinion believes the inhalation of benzene inside and outside cars could account for childhood leukaemia cases and that leaded petrol, in which there is less benzene, would be a safer fuel. There is no benzene in diesel.

Dr Jeremy Vanke, the Royal Automobile Club's environmental manager, has no axe to grind and recently made a strong case for diesel cars. British motorists, he said, would help their finances and the environment by switching to diesel both for long-distance driving and very short trips.

Vanke pointed out that on long journeys, diesels reduced pollution by using less fuel. On short runs, the catalyser of a petrol engine that was still warming up did not operate properly. (He could have added that over the years, catalysers also wear out).

In these conditions, diesels made far less health-threatening pollutants. (Confirming this, UTAC, a French laboratory, reports that during 2.5 kilometres of urban driving after a cold start, a petrol engine may produce up to 16 times more active pollutants than a diesel).

'All vehicles are anti-social to some extent. They debase life in cities'

With the diesel car's environmental and economic credentials apparently well established, sales have been soaring. Now QUARG appears to have thrown a spanner in the works. QUARG stands for Quality of Urban Air Review Group, a British government sponsored body which is concerned about emissions of nitrogen oxides and carbon particulates (in other words, smoke) from diesel engines.

These have, admittedly, been higher in diesels than in petrol engines. But improved injection technology and the growing use of simple oxidation catalysers on diesel cars is steadily lowering levels of NOx and smoke.

According to independent research for the Lucas Automotive equipment group, over the whole life of a car there is little difference in total NOx emissions. As they age, petrol cars put out more, diesels less. And the latest Lucas diesel fuelling system used on the Mercedes C220 virtually eliminates exhaust smoke and particulates in all driving conditions.

One could go on because the issues – air pollution and even the private car's place in society – are immensely complicated and increasingly controversial. Instead of seizing upon reports like QUARG's, which seemingly suggests that the growing switch to diesel cars should be halted in its tracks, we should look at the situation in the round.

All motor vehicles are mucky and anti-social to some extent. They have debased life in towns and cities and ruined public transport systems that once provided cheap, clean and reliable movement. Pedestrians, picking their way over pavements broken and obstructed by vehicles that have no right to be there, have become an oppressed minority.

But there is no going back. In the developed world, our lives are completely dependent upon cars. So, let us try to use them sensibly.

I have driven diesel cars from choice for close to 15 years and shall continue to advocate their use. I think the QUARG report will be a nine day wonder.

I cannot see why a car burning at least 30 per cent more benzene-rich unleaded petrol than my car does of benzene-free diesel is held (as it is by Professor Roy Harrison, QUARG's chairman) to be preferable in an urban environment.

A week or two ago I spoke, in a different context, of Mercedes-Benz being in danger of throwing away the baby with the bathwater through antagonising mature customers by chasing after younger ones. (My thanks to all those readers who told me that in German it was: das kind mit dem bade nicht ausschiffen.)

I would say the same of diesel cars, which cause minimal offence through NOx, and smoke only slightly.

Instead of saying clamp down on them, let QUARG stimulate action against the real sinners – the clapped-out antique buses and ill-maintained, cowboy-driven lorries which spew out more filth per minute than a modern diesel car does in a month.

PROPERTY

Cadogan's Place

How to beat the greedy gazumpers

With markets rising in London, gazumping could re-appear. Gazumping happens when, after accepting an offer but before exchange of contracts, the vendor rejects it to accept a higher offer.

The disappointed buyer then blames the vendor's agent although, often, it is not the agent who is at fault.

Can anything be done to ensure vendors behave properly? Yes. Make your offer conditional upon the vendor signing a "lock-out" agreement.

This binds them not to accept any other offer for a stated period (although it does not stop them showing other potential buyers around in case the deal with you should fall through).

Buying agent Wilson & Wilson, which has overseas clients who come a long way to view properties, insists on these agreements. They promise that the buyer will exchange contracts within 10 working days (two weeks) of receiving the draft documentation. If that does not happen, the deal will almost certainly lapse.

Meanwhile, inner London homes for sale include:

□ 46 Clanricarde Gardens, W2. A superbly decorated flat near Notting Hill Gate tube station. £195,000 for a 104-year lease. The agent is Egerton (071-584 7020).

□ 81 Peel Street, W8. A small house between Kensington High Street and Notting Hill Gate for £290,000. Savills (071-221 1751).

□ 38 Ringmer Avenue, SW6. A terrace house in Fulham with conservatory and garden. £295,000. John D. Wood (071-731 4223).

□ 9 The Mount, NW3. A Georgian house in the heart of Hampstead, with double garage. £552,500. Hamptons (071-794 8222).

□ 29 Percy Street, W1. A handsome, mid-Georgian house between Charlotte Street and Tottenham Court Road. £650,000 (down from £700,000). William H. Brown (071-636 2736) or Winkworth (071-240 3322).

□ 17 Upper Grosvenor Street, W1. A large, first-floor Mayfair flat in a former gentlemen's club with panelled drawing room. £675,000 for a 58-year lease. Wetherell (071-493 6935).

□ 29 Clabon Mews, SW1. A 1985 mews house with garage behind Cadogan Square. £750,000 for 66-year lease. Egerton.

□ 70 Eaton Square, Belgravia SW1. On the north end of the square's west side, a first-floor flat with two splendid reception rooms and view down the length of the square. Needs a complete overhaul. £1.35m for a new 20-year lease. Lassmans (071-499 3434).

□ 27 Melbury Road, W14. A 1965, Georgian-style house with double garage and off-street parking for three/four cars. £2.3m for 71-year lease. John D. Wood (071-727 0705).

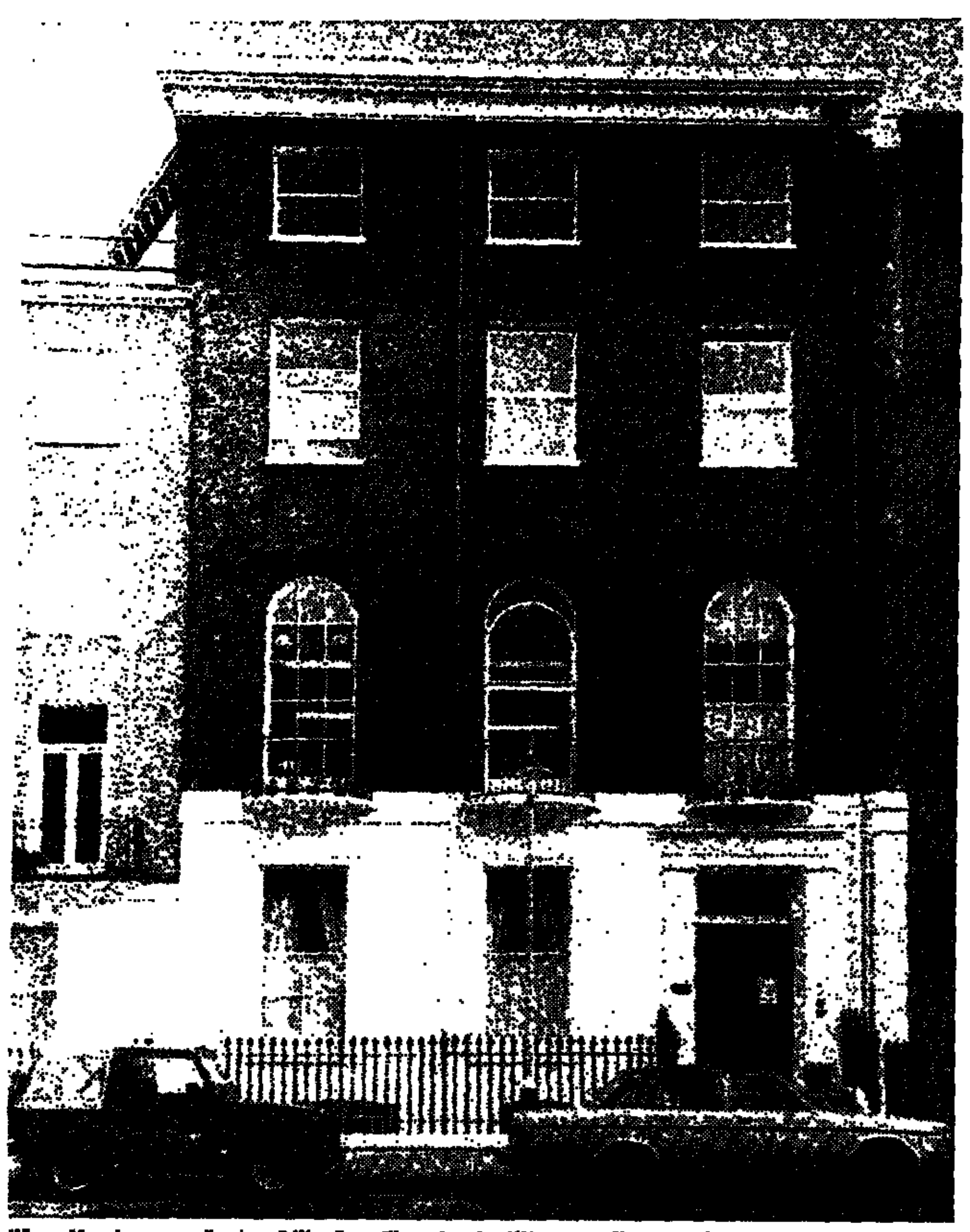
□□□

Last month, the river Lavant brought the worst flooding in 130 years to Chichester, West Sussex. The river also runs through the nearby village of East Lavant where, for around £500,000, Henry Adams & Partners (0243-533 377) is selling Paxtons, an 18th century brick and flint house in two acres. Paxtons does not flood. It is on higher ground, and even the cellars stayed dry during the deluge.

G.C.

A market for sensible sellers

Gerald Cadogan reports that prices for prime houses in central London are recovering fast, with more increases on the way



Where Maugham once lived . . . 2 Wyndham Place, London W1, under offer at a guide price of £595,000

The central London market has re-established itself. Since autumn 1992, overseas buyers have snapped up prime properties and agents have sold off almost all the backlog clogging their books at reduced, realistic figures.

The result was a price increase last year of around 10 per cent in the best areas, much of that in the second half.

Agents expect further increases in 1994 and most see a gentle rise of around 10 per cent – although, in a much-publicised forecast two months ago, Yolande Barnes of Savills Residential Research predicted 25 per cent in prime central London. The key factor is how much property will be available.

With housing so affordable but supply short, price rises are inevitable. It is becoming a sellers' market – but they must be sensible. Buyers have not forgotten the recession; and if a house is priced too high (which agents might suggest in order to secure the business), there will not be a sale. Yet, if the figure is seen as reasonable, they will move quickly and even pay over the odds if there is competition.

In Chelsea, Lord Bective of Egertons reports four cases when the first person through the door of a new listing bought at the asking price or within 2 per cent of it, although he adds that Barnes' mega-bullish forecast "has put the dampers on the vendors".

Anthony Lassman, of Lassmans, feels a 20 per cent increase for "the very, very prime places" would not be any surprise, with 10 per cent on average. But remember that, whether buying or selling, everywhere is different.

During last year, the happy news in prime London spread to the fringes of the centre – such as Hampstead, Islington and Fulham – and to the home counties. Eventually, it should reach from John O'Groats to Land's End.

In the recession, unsellable new developments and repossessions made things worse, while a new disease called negative equity cursed sellers who had bought at the peak. Now, however, this virus is working its way out of the system as prices rise.

Meanwhile, those who bought early in the 1980s or before, many as first-time buyers, are taking advantage of the present situation to climb a rung higher on the housing ladder by moving up to homes with two or three bedrooms.

Then again, the devaluation on Black Wednesday in September 1992 led to investment-seeking foreign buyers – mainly from Hong Kong, Malaysia and Singapore – pouring money into new developments or refurbishments in the best areas.

Now, there is a scarcity of these, says James Wilson of buying agent Wilson & Wilson, a situation compounded by the lack of new projects because of the recession.

As first-timers bringing in new money, albeit for the most expensive properties, the foreigners gave the market a kick-start which then drew in UK buyers.

Add the lack of houses to buy and, suddenly, a rise in central London of 10-15 per cent by mid-1994 – predicted by Barnes in autumn 1992 but pooh-poohed by many – looks to be coming true.

Agents in 1993 had their best business for years, clearing old stock at attractive final prices. Mayfair specialist Wetherell sold two mansions (Aberconway House and 4 St James's Square) for around £6m; both were offered originally for about twice as much. Now, says Simon Edwards of Winkworth's Pimlico office, the margin between selling and asking prices is down from 5 to 2 per cent.

In Belgravia's Eaton Square, SW1, the right address adds hundreds of thousands of pounds to the price. The north side, which catches most of the sun, is best. Be as close as possible to the majestic central block where the freeholder of the entire area lives – the Duke of Westminster (who owns the Grosvenor Estate).

Here, Lassmans has sold a 7,000 sq ft flat, stretching across three houses, for £9m for a 20-year lease.

Nearby, in humbler Pimlico, Winkworth reports price rises this past autumn. A maisonette in Moreton Road, bought in September for £217,500, was sold (for family reasons) in November for £235,000. In Belgrave Road, a one-bedroom flat went from £90,000 to £94,000 between July and November.

In Mayfair (W1), where the Grosvenor Estate also is the main landowner, Wetherell sees a seller's market in 1994. Last year, houses and flats went for a third off their 1991/92 prices and the agent sold property worth £35m. Now, in only February, it has £35m of instructions and is acting in future developments worth £65m.

In Kensington, large family houses on the Phillimore Estate (W8) have passed the £1m mark again to stand at 1989 levels, if not yet at the all-time high of August 1990. The bottom end is back to peak levels as first-time buyers and family trusts look for £200-300,000 houses for letting or personal use.

At the very bottom a small, one-bedroom flat costs around £80-90,000 and a one-bedroom house £150-180,000. A garage adds £20-30,000. Agents expect the next growth area to be the £500-600,000 mid-range.

Farther out in Fulham (SW6), John D. Wood's Brian Bishop reports there was a desperate shortage of houses a month ago. Three went to best and final offers, selling at 5 per cent over the asking prices. Stock is better now, though.

In Hampstead (NW3), prices at the top end stopped rising early in 1988 and then fell steadily for five years, says Marc Goldberg, of Hamptons. In mid-1993, the tide turned and prices have risen about 10 per cent. Goldberg expects a further rise of 10 per cent "or possibly more" this year if the supply continues thin. Prices could reach mid-1988 levels, but not the early 1988 peak.

St John's Wood (NW8) and Primrose Hill (NW1/NW3) are selling well, says Patricia Greenstone, of John D. Wood. "We have a market now. You can be confident of getting your price. Ridiculous offers £100,000 below the asking price are over." The only cloud is Regent's Park, where flats in the terraces have been slow for the past two years because of uncertainty as to what the Crown Estate will do about extending the leases.

Meanwhile, for a long-term perspective, consider 2 Wyndham Place, W1, a late-Georgian listed house where Somerset Maugham once lived. It is under offer, at a guide price of £595,000, through Chestertons Residential. The seller is the Greater London Fund for the Blind – which bought the house in 1952 for £7,600.

GARDENING / OUTDOORS

The maniacs have taken over at the nursery

Robin Lane Fox on a garden centre that thrives on tidiness and teamwork

John Massey (left), founder of Ashwood Nurseries, with helper Kevin Belcher

Tony Andrews

I was under glass in a Midlands field, not far from Wolverhampton, as the rain drove in from the south-west. But who cares about the weather when hardy winter plants *are flowering by the 100?*

Eight years ago, when Weekend FT was started, I went to the Midlands to look for an emerging market which might survive Margaret Thatcher, prime minister of the day. I thought I had found it at Ashwood Nurseries, at Kingswinford, north of Kidderminster, off the A449.

They were making a name for their new Lewisias, small hardy plants which carry showers of flower in late spring and vary from the easy to the awkward. The place had quality and the management struck me as something special so I wrote and said so.

Mrs Thatcher has now become Lady Thatcher but I still have my Ashwood Lewisias and many readers have turned up at that Midlands nursery with a crumpled page from an old FT.

My discovery of garden centres was characteristically welcomed by Arthur Hellyer, the FT's gardening writer for more than 30 years, during the Chelsea flower show nearly two years ago. How I wish Arthur, who died in January last year, could have rediscovered this one with me.

Three weeks ago, I was making an anti-clockwise tour of London's first flower show of the season. I was enjoying the specialists' Hellebores and admiring the winter greenery when I hit on the best exhibit of them all. Carpets of pink, white and magenta hardy cyclamen ran beneath winter prunus, witch hazel and a display of Lenten Roses and hybrid forms of Helleborus Orientalis.

It seemed to have a height, colour and clearness of leaf which was new. Mid-winter seemed a mirage; even the Royal Horticultural Society judges gave the stand a gold medal.

It turned out to be Ashwood Nurseries taking their fifth gold medal in their fifth RHS show. Following them back to base, I found that the news for gardeners was excellent. Since 1986, the nursery has grown 20-fold; it employs 53 people and its new initiatives are the gold-winning cyclamen and hellebores, built up in the last three years.

The founder, John Massey, is the son of an engineer and recalls that his best subject at school was Latin. "I am absolutely hopeless with money," he assures me. "I leave the bills entirely to the others; I haven't a clue about business rules, except that businesses which follow the rules seem to go broke."

He does not bother with a computer, and when he thought he had 300 stock plants of hardy cyclamen, Philip Baulk, his breeder-collaborator, had to point out that they already had more than 800. (I should add that Baulk has found no satisfactory system for automatic watering and every single plant is watered by hand.)

This archaic enterprise has two irreplaceable assets that has enabled it to progress. It insists absolutely on top quality and immaculate tidiness, and devotional team work, seven days a week, from managers who are still in it for the sake of the plants and the customers, not the share option or the meaningless meeting.

For years, hardy cyclamen have had their own expert society and hellebores have had some great breeders: Ashwood's team has now moved into these revered pastures, backed by their skill in Lewisias and the application of cash made from their nursery's general quality stock.

Are the heroes of the hellebore rather uneasy, I asked, thinking of the Whites and their recent medals at Blackthorn in Hampshire; the legendary Helen Ballard, queen for years of the rounded flower without spots; and Elizabeth Strangman, author with Graham Rice of the best of the new hellebore books, just published by David & Charles at £16.99.

Ashwood's answer is that they have had no hard feelings. The reigning experts have passed on many of their best plants and are enjoying the results as new crosses extend the base which they have established.

On visiting Ashwood, I think they have sensed what everyone does: the place is run by plant maniacs to whom you could not wish ill if you tried.

Go and see it: the cyclamen coum and the Lenten hellebores ought to be good for this weekend and next. In late April, the Lewisias are flat out. They are 14-years-old in some cases and the stock has been increased by the owners' fact-finding visit to the plants' native Pacific homes in America.

This year, 3,000 Hellebores, newly created from three-year-old crosses, have been sold at £5.95 each. Next year, the target is 10,000.

The cyclamen, meanwhile, are sold through a seed list which is issued in June to those who write in with a stamp. The nursery grows seed for Suttons and sells the rest of it fresh for sowing in September.

Its coum strain, supervised by Philip Baulk, is spectacular and completely hardy. If you sow it in September, you should have a thick range of seedlings up and showing by Christmas.

The Hellebores are truly exciting. Lesser operations could only sell a few dozen from amateurs' stocks each year, but Ashwood has the staff and scale to go for a huge market. In their private houses, I saw whites, grey-purples, green and cream yellows and exquisite pinks *quite apart from the sombre purples* and blacks.

I hate the doubles and John Massey is not too keen on them either. Spotted forms are charming, although purists have sometimes frowned on them: Ashwood whites with purple blotches promise to have a vigour and charm which was beginning to dwindle from some of the older experts' bloodlines.

Outdoors, we can all grow these deep-rooting beauties which like to be left in peace.

The old leaves should be cut off in spring when the new ones appear; they will tolerate shade, even in London, but they do not require it. They love to be fed repeatedly in spring and summer. In February they are heavenly, building into clumps which improve yearly, although mice have chewed my latest white's flowers.

You can divide them, but divisions will take two or three years to settle in.

You can also grow them in pots, *where they look very tempting:* Ashwood confirmed that you should only water them from the bottom by standing them in a saucer and watering it, not by watering the soil directly from above.

I hope the place and its Hellebores break all the rules, except immaculate neatness, and continue to prove my one attempt at sector-analysis to be right.

I also recall another Arthur Hellyer rule: great gardening enterprises tend to rely on pairs, each half of which needs the other.

At Ashwood, Massey needs Baulk, the master breeder, and both will need Kevin, active with the Hellebores and Philip, who they snatched from a career servicing aircraft.

They do not reckon much to horticultural college training: how can you teach a passion for plants? Could they also teach me tidiness? After brief consideration, they regretted that tidiness, too, was brought to the job, not learned on it.

Skiing in the deep freeze

Arnie Wilson finds the going tough

The FT Round the World Skiing Expedition has crossed the ice curtain: temperatures in Montana suddenly plunged and as the weatherman said: "Nice weather today if you're a husky."

The Arctic conditions coincided with our faithful car – nicknamed Spud because of its Idaho plates – giving up the ghost. The frozen Montana wastelands are no place for a car with a flat battery.

"She's dead as a rock," pronounced the mechanic hurriedly despatched from Bozeman airport to Big Sky ski resort, where our own batteries had been topped up with some exhilarating skiing.

A blue replica of Spud arrived on a low-loader, but my companion Lucy Dicker, in the grip of a severe migraine, was scarcely aware that we had changed cars.

This delay meant we arrived at Bridger Bowl just in time for me to ski its famous ridge. This involves a steep, 25-minute climb, skis strapped to your back, before trudging along a narrow ridge to tackle one of dozens of challenging ungroomed chutes and gullies.

The migraine spared Lucy the *ordeal of traversing into the apron* – one section is so steep, narrow and undulating that skiers are advised to grab a tree known as "Desperation Pine" if they slip. But like me, Lucy is determined to ski every day of 1994 and so she struggled from the car to ski Bridger's lower slopes in freezing conditions.

The following night we began a nightmarish nine-hour drive more than half way across Wyoming in such freezing conditions that every time a huge truck hurtled past it enveloped us in a cloud of carbon monoxide vapour.

■ *You could win a skiing holiday for two in Courchevel or Verbier, or runner-up prizes of malt whisky, by entering the competition which appeared in last week's Weekend FT (copies available from the FT shop, tel: 071-873 3324).*

■ *The expedition's principal sponsors are: Avis; American Airlines; Air New Zealand; Champagne Mercier; Clarins; Dynamic Skis; Fogg Travel Insurance; Hewlett-Packard; Luhta; Salomon; Ski The Summit, Colorado; Snow + Rock.*

In the footsteps of Berenson

***Susan Moore** pays tribute to the late, great connoisseur Philip Pouncey*

Philip Pouncey's feats of connoisseurship have become legendary. Possessing an encyclopaedic knowledge of both Italian Renaissance painting and drawing, and blessed with an unfailing visual memory, he was able to make discoveries in field that eluded fellow experts. Over almost 60 years of study, he correctly identified some 1,000 anonymous or mis-catalogued drawings in collections around the world.

The Fitzwilliam Museum in Cambridge, the Louvre and the Uffizi have all staged handsome exhibitions in homage to Pouncey, who died in 1990. Now it is the turn of the British Museum, where Pouncey was Assistant Keeper of Prints and Drawings from 1945-66. While the previous shows celebrated his brilliant attributions with choice selections of Italian drawings, the BM also attempts to demonstrate the working methods of a connoisseur. In so doing it defends the validity of this now unfashionable approach to art history.

Like his great precursors Bernard Berenson, Crowe and Cavalcaselle, Pouncey understood the fundamental importance of reconstructing an artist's oeuvre, of defining an individual style and being able to distinguish it from another. As almost no Renaissance drawings are signed or documented, identifying the draughtsman's hand is rarely easy. An eye for quality is also essential to distinguish copy from original.

Pouncey's rare capacity to empathise with particular artistic personalities is most vividly witnessed by a crouching male nude by Bastianino, an obscure Ferrarese imitator of Michelangelo by whom no drawings were known to survive. "If Bastianino had made drawings," declared Pouncey, "this is exactly the sort of drawing one would have expected from him." Sure enough, he later discovered the figure – a devil about to seize his victim – in Bastianino's altarpiece of the Last Judgment in Rovello Porro.

He attributed another sheet to the 16th century Veronese artist Domenico Brusasorci, and added that it looked like a study for a painting on slate. The related picture was located in Hungary. Its support was, of course, slate.

Such inspired insights, although sometimes the work of a moment, were the result of the devotion of a lifetime. Notebooks dating from Pouncey's first trip to Italy in 1932-3 show him copying figures and drawing plans of fresco cycles as a means of fixing them in his memory. Then came annotating reference books and meticulously cross-referenced notebooks, index-cards, correspondence and files. The passion for exhaustive list-making even extended to the cellar-book where the carefully chosen and lovingly cherished claret was as scrupulously indexed as any minor masterpiece.

This unusual show is an affectionate tribute to a remarkable scholar.

Few artists have had the opportunity – or the ability – to determine posterity's vision of their age. In his celebrated studies of the court of Henry VIII, Hans Holbein the Younger gave us a totally convincing cast of characters and sense of the sober mood of Reformation England. It was the Swiss artist's good fortune to come to a court of a king who had broken with Rome and had no need of altarpieces and Madonnas. For Holbein's gift was for portraiture.

His meticulously wrought and sensitive likenesses in black and coloured chalks preserved in the royal collection – of the family of the saintly Sir Thomas More, the poets Surrey and Wyatt, and the likes of the Archbishop of Canterbury, William Warham and the odious Southwell – make their final stop on a national tour at the NPG in London.

★

Finally, a rare instance of a work of art of national interest repatriated to a British public collection. The Ashmolean Museum, Oxford has acquired from a French private collector Rubens' fine portrait of the Earl of Arundel, one of the earliest and greatest of all English antiquaries and collectors. Hazlitt, Gooden & Fox negotiated the purchase and the £900,000 was provided by grants from the National Heritage Memorial Fund, the National Art-Collections Fund, the MGC/V&A Purchase Grant Fund, the Michael Marks Charitable Trust and the Friends of the Ashmolean.

Rubens probably made the chalk and pen drawing from the life while on a diplomatic mission to Charles I in 1629-30 and took it back to Antwerp to serve as a likeness for a number of painted portraits of the Earl. As the Ashmolean holds most of Arundel's collection of classical sculpture, the Musée du Louvre raised no objection to the export of the drawing.

■ *The Study of Italian Drawings: The Contribution of Philip Pouncey*; British Museum until April 24. *Holbein and the Court of Henry VIII*, sponsored by Capital House: National Portrait Gallery until April 17. *Director's Choice*: Dutch and Flemish drawings; Ashmolean Museum, Oxford, until March 27

Rubens' fine portrait of the Earl of Arundel, one of the earliest of great English collectors, which now belongs to the Ashmolean

Dancing for posterity

Cameras were in the Royal Opera House last week to record two performances of *Mayerling* which will provide the substance of a commercial video. The news is doubly good. *Mayerling* is a repertory favourite – MacMillan's most adventurous full-length creation – and it is currently receiving admirable performance from Irek Mukhamedov as Rudolf, Viviana Durante as Mary Vetsera and Lesley Collier as Countess Larisch. And it is a work which shows the depth and assurance of the Royal Ballet as an ensemble of dance actors.

This is where the good news is doubled, for the history of the Royal Ballet repertory on film, of making sure that significant ballets and outstanding performances have a lasting memorial, is not happy. How did Antoinette Sibley dance Aurora? Why was Lynn Seymour's Juliet so perfect? What of Anthony Dowell in *Shadowplay* and David Wall in *Knight Errant*, – Antony Tudor's contributions – or Monica Mason's prodigious incarnation of the Chosen One in MacMillan's *Rite of Spring*? Future generations of dance-lovers will never know, because film has failed them.

And what of *La Fille mal gardée* with its glorious original cast, excellently captured in 1962 by Margaret Dale for BBCTV in black and white but never made available to the public? What, indeed, of the Ashton repertory – the foundation of our national ballet – which should have been preserved under Ashton's supervision so that his "style", the essence of his creativity, might be understood for the future. An appreciable number of Balanchine's works have been saved on film: the next century will know how he wished his ballets to look. A decade after Ashton's death, his choreography languishes in the repertory, and is already diminished in manner.

The catalogue of missed opportunities is long and lamentable. The music of this century is securely ours, thanks to the gramophone. Of great and un-recorded dance, in an age when film has perpetuated scoundrels, political nonentities, and an eternity of foolish acting, only those who long for a brief clip of Nijinsky or of Diaghilev's troupe can know. And despair.

We have thrown away our dance-past. Ballet has always been an art of the moment: it seems more than perverse that, in an age when we can capture the moment easily, we have missed the chance to keep great art for posterity.

In 1978, when *Mayerling* was new, it was filmed at Covent Garden by Derek Bailey, one of the most influential of directors of dance for the screen. Sections of this performance were seen in his programme *MacMillan's Mayerling*, which won the Italia Prize for the South Bank Show. The full ballet was never released for public viewing, and the staggering performances of David Wall, Lynn Seymour, Merle Park, still lie in the vaults. I suppose. I hope. It was, happily and ironically, Bailey who also directed last week's recording.

In the post-war years, BBC TV transmitted a fascinating variety of dance. In what must seem a golden age in the 1970s, both BBC and independent companies initiated programmes which brought important dance to the public. Later events – the *Bolshoi in the Park* of 1986, and the 1988 celebration of Makarova's return to the Kirov Ballet in London, together with recordings, again by Derek Bailey, of MacMillan's *The Prince of the Pagodas* and *Winter Dreams* – seem exceptions rather than the entertainment rule.

Today, the ballet repertory shrinks as audiences decline. (And switch off – and are switched off by – dismal nonsenses like the *Dancing* series that cluttered BBC schedules last year, or the witless miniatures lately offered as an Arts Council project.) People are reluctant to go to the ballet: ticket prices are prohibitive and titles have to be brand-name familiar. Such attitudes have diminished the dance itself; companies increasingly rely upon Swan-fakery to fill the house. If an attempt is not made to bring more theatrical dance to the screen, to win and inspire an audience, we fail the public, as we fail dance.

Clement Crisp

Off the Wall/**Antony Thorncroft**

An upmarket Big Issue

The ENO and RSC learn to live with debt while Covent Garden homes in on the homeless

I must not whinge: it is a message that seems to have hit home. The bosses of our leading arts companies now present an optimistic, expansionary, face to the world – and to hell with their deficits. The English National Opera and the Royal Shakespeare Company share one thing in common – they each have an accumulated debt of around £2.4m.

But are they down hearted – no! On Thursday Dennis Marks of the ENO unveiled a plan to cut his losses by putting on more new productions next season and yesterday Adrian Noble of the RSC was equally buoyant. "This is a time for modest boasting, both financially and artistically."

Noble revealed audiences at 83 per cent of capacity for both his London and Stratford operations, the highest for almost ten years, plus a profit this financial year which will enable him to shave the deficit slightly. Some of this bullishness was induced by the £3.3m, over three years, from new sponsor Allied Lyons – businessmen hate defeatist talk. But with near sell outs for RSC productions of *Tamberlaine*, *Macbeth* and *Travesties* in London Noble can afford some self congratulation.

Next season he is playing safe, with Stratford presenting four new productions of Shakespearean favourites, *Henry V* with Iain Glen as Harry, *Twelfth Night* starring Emma Fielding and Haydn Gwynne, *A Midsummer Night's Dream* with Toby Stephens, and Steven Pimlott's *Measure for Measure*. The Barbican is even safer, with last season's Stratford successes moving to the capital, although more exciting plays are promised for the autumn.

The two smaller auditoria at Stratford get some stimulation with the unknown, late 17th century play *The Wives' Excuse* and the very rare John Ford 1629 tragedy *The Broken Heart* at the Swan, plus new plays by Anne Devlin and David Edgar at the Other Place. But all in all the RSC is conforming to the received wisdom that in a time of frozen Arts Council grants and choosy audiences this is no time for risk taking.

Dennis Marks cannot be quite so sanguine because on top of his accumulated deficit he has a projected annual shortfall this season of around £500,000. He is going ahead with repairing a repertoire which was only fitfully replenished during the last years of the Peter Jonas reign, when the recession knocked 20 per cent off the ENO's annual audience.

Marks has quickly discovered that economising on new productions and relying on revivals is box office suicide. Even the best productions, like the seasonal *Hansel & Gretel*, have a limit to their shelf-life. So he has lifted the number of new productions in 1994-95 from six to eight, creating fresh versions of old war horses like *Tosca* and *Don Giovanni*, extending into the romantic repertoire with the first ENO productions of Massenet's *Don Quichotte* and Mussorgsky's *Khovanschina*, bringing back after a lengthy interval a new version of *Mahagonny*, and throwing in the home grown *King Priam* and *A Midsummer Night's Dream*. The sliver of the contemporary is the UK premiere of Schnittke's *Life with an Idiot*.

Thanks to new productions of popular favourites like *Der Rosenkavalier* and *La bohème* audiences are 3 per cent up so far this season, and every additional 1 per cent adds £100,000 to the revenue. With luck, planned changes in back stage workings, involving some redundancies, and the New Stages Appeal to the ENO's loyal audience, targetted to raise £250,000 this season, should, between them, enable the company to break even, while higher box office income in future years is expected to pay off the overdraft by the end of the millennium.

The ENO is also starting its season later, in September, and renting out the Coliseum to commercial managements during the Christmas period as well as the summer. This could reduce its own performances to under 200 a year, but there will be fewer of those uncomfortable evenings when the audience is less than 60 per cent of capacity, and within a few years the ENO should be able to offer shorter runs of a considerably greater number of operas, including the traditional favourites in fresh dressings.

If you throw in the Royal Opera House and the National Theatre, the accumulated deficits of the four flagship companies must exceed £8m, but there is no sense of panic. The National Theatre has cut back on new productions but is doing well on established favourites and Covent Garden is switching productions at the last minute to optimise its box office.

Perhaps they have all heard the rumours that one of Lord Gowrie's conditions for taking over as chairman of the Arts Council was the promise of a higher Arts Council grant for 1995-96. Certainly Lord Palumbo, who did well financially for the arts during his five years as chairman, can rightly feel disgruntled about not getting the rise in funding he had been promised for his final year.

★

On the surface there is a yawning gap between the Royal Opera House, Covent Garden, and The Big Issue, the newspaper distributed to help the homeless. Yet the Opera House is advertising for customers in the campaigning magazine. The seats it wants to sell are for Saturday nights, when, six times this season, the average price is £11 and best stalls seats cost £18 rather than £102.

It is part of a scheme to help Covent Garden lose its elitist image and be seen to be accessible to a wider public, in particular to pensioners, the unemployed, and students. Saturday night is not the most popular with the traditional opera and dance audiences – corporate seats are unfilled and other regulars are away in the country. Covent Garden hoped to get sponsors to underwrite the performances which cost it £40,000 in lost revenue for a dance evening and £60,000 for opera, but to date no backers have been forthcoming.

It has pressed ahead independently and is happy with the results. The annual season supported by the Paul Hamlyn Trust, which is aimed at the disadvantaged, has given it a large mailing list to sell to, but anyone able to prove that they are not in receipt of a regular wage can qualify for the cheap Saturday night tickets. The next bargain evening is the first performance of the ballet *Manon* on July 2 and Covent Garden hopes to repeat the concept, perhaps with more such Saturday nights, next season.

Scots hung up over gallery

A delphic statement by the trustees of the National Galleries of Scotland over its controversial plans to create a new gallery of Scottish art has received a wary response.

There has been outcry in Edinburgh over plans to establish the new gallery in Glasgow, using pictures from two Edinburgh collections; the National Portrait Gallery, which would close, and the National Gallery.

A recent House of Lords debate ended with a ministerial statement that the final decision was the government's. This week the trustees said they remained committed to the idea of the new gallery, but were "conducting a further detailed appraisal to consider how, consistent with that objective," the portrait gallery could remain in its present building.

That could signal a reprieve for the portrait gallery. But since it's collection was supposed to have been the nucleus of the new gallery, sceptics ask if the trustees now intend taking more Scottish masterpieces from the National Gallery to bolster pictures currently in storage. Others think the whole project is a dead duck.

James Buxton

ARTS

Sweat and hope at the Kirov

Max Loppert visits the Rimsky-Korsakov festival in St Petersburg and marvels at the energy and enthusiasm shown amid the saddening decay in Russia

Miracle – it is an ill-advised term of praise for any performing arts company, however fine: human sweat, not divine intervention, is invariably the source of artistic excellence. Nevertheless, there does seem something miraculous about the ability of the Kirov Opera of St Petersburg to flourish, and extend itself in bold new projects, at exactly the time when all around it – in the nobly handsome, often deeply saddening Baltic city itself, in Russia as a whole – decay is plentifully in evidence.

Down the road from the Maryinsky Theatre stands the blue-painted, gilt-domed church of St Nicholas, a splendid sight in the distance – and a distressing one in closeup, with its cracked stucco and peeling walls. During a seven-day St Petersburg sojourn for the Kirov's *Rimsky-Korsakov in the 20th Century* Festival, images of physical decay were transmitted from almost all of the city's main monuments and cultural institutions.

In sharp contrast, the Maryinsky building presents a reasonably sound aspect; and what goes on inside the wonderfully beautiful 144-year-old house demonstrates no hint of collapse, nor even of heads-just-above-water. The theatre's long and glorious operatic tradition acts not as the strait-jacket of Soviet eras past but the source of fresh inspiration. The company is abundantly stocked with notable voices and personalities, a youthfully exuberant orchestra, and a repertory of productions by no means backward-looking.

The engine-room of the Kirov's miraculous vitality and profusion of operatic activity (reflected by first-rate Kirov records and videos now pouring out on the Philips label) is the extraordinary Valery Gergiev, who became the company's artistic director and principal conductor in September 1988, at the age of only 35.

Gergiev is now a known quantity in all the world's main musical centres. But to see him in action during the festival – conducting every one of its four Rimsky operas and five Rimsky-pivoted concerts, keeping up a punishing schedule of rehearsal, administration, recording and meeting-the-press the while – was to appreciate just how crucial he is to the Kirov's existence, and it to his: how completely his "human sweat", and vision, motivate its ethos.

Not every event was equally polished – certain concert works emerged plainly under-prepared – yet the fire of Gergiev's artistic imagination warmed all of them equally, leaving the lucky festival-visitor at the end with the enlarged horizons always looked for, seldom attained in such enterprises.

I shall focus on the subject of conductor and company in a second article; for the moment my brief is to describe, albeit summarily, the excitements of the Kirov Rimsky-Korsakov experience – in a theatre where most of his operas were first given, across the square from the conservatory where he taught, and in the 150th anniversary year of his birth.

This was the third of Gergiev's single-figure festivals – following his Mussorgsky (1989) and Prokofiev (1992) – and, for a Westerner, probably the most ear-and eye-opening of the three. Rimsky-Korsakov exists on the margins of our opera-house repertories; whenever he is briefly moved to a more central position (such as by the ENO's recent *Christmas Eve*), problems of performance style tend to weigh heavily on the resultant impression.

In such circumstances, received opinion about the ephemeral charms of his glittery, fantastic sound-world and the psychological and emotional flatness of his characterising powers proves hard to put to any really vigorous test. Gergiev's choice of festival operas covered the span of Rimsky's creation, from the first, *The Maid of Pskov* (premiered 1873, later much revised), to the penultimate, *The Legend of the Invisible City of Kitezh* (1907), with the "fable-opera" *Sadko* (1898) and the fairy-tale one-acter *Kashchey the Immortal* (1902) in between.

All four were tuned to a high pitch of communicativeness by Gergiev's particular conductor's gift, which is the maintenance of an intensely vital lyrical sonority across broad, unhurried dramatic sequences. The "basics" of natively idiomatic timbre and accent, of that ability to be folkily amusing without straying into kitsch or whimsy, are the common virtues of Russian Rimsky interpretation. These opera performances, given uncut on Gergiev's insistence, went far beyond those basics.

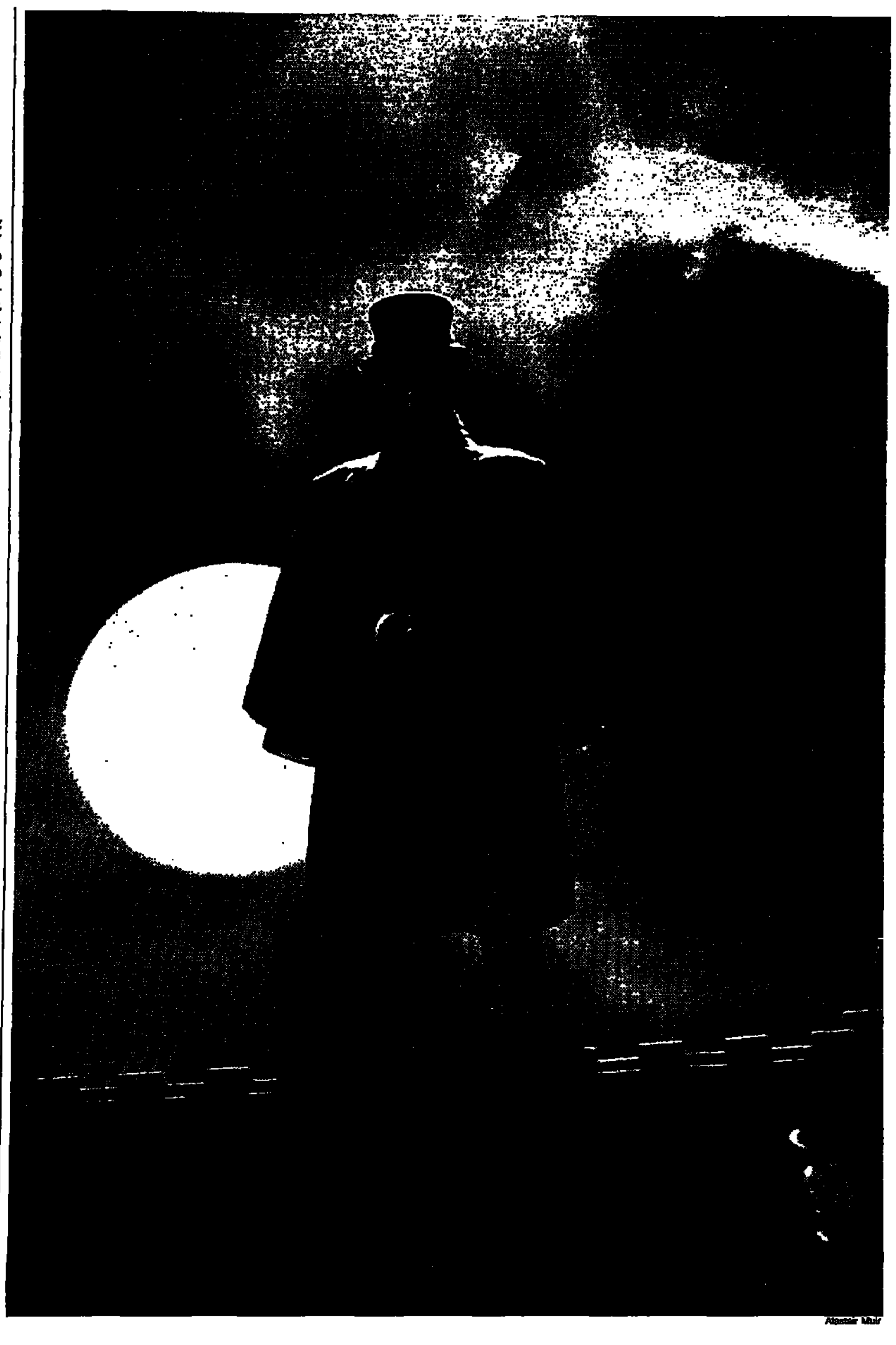
The big revelation, for me, came with *Sadko*: a series of picturesque tableaux, earthly and supernatural, submarine and terrestrial, which were threaded into one long enchantment. The missionary purpose of the staging was to revive the early-1920s *Sadko* designs of the artist Konstantin Korovin, whose brilliant colours and picturebook patterns were melded into the musical detail. The work's French Grand Opera inheritance – a big "public" scene in the middle, a vital infusion of dance elements (exquisitely done by the Kirov Ballet) – seemed not at all mere Meyerbeerian machinery, but a prime reason for the work's captivating many-sidedness.

High hopes had been pinned on *Kitezh*, the festival's single brand-new production. Known in the trade as "the Russian *Parsifal*", this is an altogether harder task than either *Sadko* or the youthfully surefire *Maid of Pskov*, with its elements of historical drama (Ivan the Terrible's confrontation with the city of Pskov) thrillingly resonant with sharp-cut contrasts and *Boris*-like bell-tollings.

The late work's elevated fusion of antique and Christian legend (the reason for the scarcity of *Kitezh* performances in Soviet times) lacks "animal" dramatic energy. Luminous, rarefied beauties of sound and spirit may abound on every page but tedium is not always kept at bay – at least not by a production crudely lit, and excessively reliant on fuzzy projection, gauze front-cloths and sugar-iced costumes.

Apart from Gergiev and his orchestra, the sustaining compensation was the solo singing, which highlighted the Kirov's envy-inducing individual strengths as much as its ensemble ones. Here is a short-list of memorable names, notables of more than one evening's cast, who would grace any international stage (and in several cases have already done so): the strong lyric tenor Yury Marusin, vocally much more exactly-tuned than when he was Glyndebourne's unforgettable *Spades* Hermann; the ringing spinto tenor Vladimir Galuzin; the smooth, lustrous mezzo Larissa Dyadkova; the basses Vladimir Ognovenko and Gennady Bezzubenkov; the baritone Alexander Gergalov, newest in a distinguished Kirov line; the warm-toned soprano Valentina Tsedipova.

Galina Gorchakova, possibly the world's richest young soprano talent, played Fevroniya in *Kitezh* and the *Pskov* title role. The tender-hearted simplicity of her demeanour and the velour, radiance and house-filling amplitude of her vocal line properly warrant paragraphs of enthusiasm. As current Kirov prima donna she seems to sum up everything that is finest and most inspiring about the whole company.



Alastair Muir

'Werewolf' steps in and out of the fright genre

Ken Hill has written and produced another shocker from the Theatre Royal Stratford East. Panting at the heels of *The Invisible Man* is *The Curse of the Werewolf* (pictured above). It could be a whisker more frightening and a bound or two faster, but it makes wonderful entertainment.

The plot matters little for this horror-comedy-musical; setting is all. Take one Bavarian castle and people it with a mad scientist, a smooth German baron, four silly English aristocrats and a sinister Chief of Police, and the show appears to run itself.

The fine set (Sarah-Jane McClelland) benefits from excellent lighting (Gerry Jenkinson), producing the requisite mix of moonlight and shadow.

Hill's *Invisible Man* kept farce at bay by stepping in and out of the fright genre; the same will happen with *Werewolf* once the production settles, but it does risk camping up the action and losing the ripping story in a series of stagy set pieces. The show has a strong cast, some catchy tunes, and suits the friendly atmosphere of the theatre.

Best of all, of course, are the moonlight transformations of Baron "I must go and change" von Heilman. From the twitching of the hair on the back of his hands to the screaming of the heroine as he carries her off it is unremitting excitement.

Elsewhere there is a ruined church, a super ski-run, the inevitable laboratory, a wolf grotto (certainly *cave lupem*) and plenty of deep Bavarian gloom put over in cod German and punctuated by the ululating wolves.

534 (Until March 19. 081 534 0310)

Andrew St George

That old family magic

It is nice to see an old fashioned show for all the family back in the wicked West End. The star of *The Magic Man* is, of course, Paul Daniels, but there are good parts for son Martin, a softer, cuddlier, version of Dad, and for Mrs Daniels, who spends most of her time de-materialising.

Elder son Paul gets a brief drive-on role, but, like Mrs D. soon disappears, complete with Harley Davidson, into the absolute. Martin's fiancée is just starting in the family business, as dancer and prop carrier, but can draw inspiration from her future mother-in-law, who when she was young Debbie McGee, hoofed for ages before being allowed to tackle dialogue.

Apart from losing some hair, and gaining an extra staff member, this is basically the show that Paul Daniels played to great acclaim at the same theatre in 1980. Over time Daniels has allowed his prickly personality fuller rein. He is like a grumpy pixie, superb at chatting up the audience, but an obvious martinet behind the scenes. I felt sorry for the drummer who missed a roll; and for Martin when he fluffed a gag. They were probably turned into rabbits later.

Daniels is a tough law and order man – he thinks judges should be strung up for softness – and the steel behind the banter makes for an intriguing show. He is an excellent improviser, and rides his luck, which, on Thursday, kept coming up aces.

One magical secret is to get members of the audience to take responsibility for tired material. So the boring solid, or not so solid, ring trick was entertaining because a sweet nine-year-old birthday girl acted as stooge. Daniel also hit gold with a police inspector from Essex and a medical student from Malaysia who were happily humiliated as first they handed over their cash to Daniel, and were then ejected from, and stuck to, their chairs.

There seems little new in the world of magic. Mrs D still disappears from the box in which she has been transfixed by spears, and atomises as she is wafted to the flies in the final illusion. A postman from Camden Town, who foolishly shed a shoe to be more comfortable, was painlessly guillotined. A troupe of six dancers proved that revue is dead.

Martin Daniels is the nice one, who sings and tells jokes and would make a wonderful children's entertainer. Paul has the world weary air of the old pro. But the joins do not show and the audience was well pleased. I did spot a flaw. The policeman was asked to think of an international celebrity and Paul promised to read his mind and conjure up a photo. Presumably back stage they were well prepared for Mrs Thatcher, John Major, Madonna, etc. The Essex man came up with Ted Heath. It was well in period with the show, but no photograph was forthcoming. There is a difference between magic and miracles.

Antony Thorncroft

Chess No 1008: 1 Rh3 Kc5 2 c4 and if Kb4 3 Bd6 or Kd4 3 Bf2.

Babes in the Warehouse

Lucy Kellaway on strange happenings in deepest Docklands

Shiny Nylon is Urban Panic, says the publicity material for a bizarre event that opens next week in S-Shed, London's newest and most uncomfortable venue. For 12 days a filthy, unheated former tobacco warehouse in deepest Docklands will host a curious mixture of installation art, dance and rock opera.

The show has been commissioned by Jules Wright of the Womens Playhouse Trust who last October brought us *Dirt* – a dance around washing up bowls performed by ordinary people in the disused Wapping Pumping Station.

Shiny Nylon was inspired by Wright's – questionable – observation that cities are changing. One of the elements of these altered cities, she argues, is panic. She defines the state as "confusion that arises when you can no longer make sense of your circumstances". In that case, *Shiny Nylon* hits it right on the head.

Tony Andrews

The perpetrators of 'Shiny Nylon': Jules Wright and Katherine Orrell

Those who do have an inkling of what the project is about seem to disagree with each other. The confusion is the result of Wright having commissioned three single-minded creative artists, each with their own ideas. Wright says it is about journeys, "literal journeys, desire to travel, travelling in your mind." Deborah Levy, writer and director of *Shiny Nylon* sees it in terms of Babe, the central character. "When Babe got run over on the motorway, she said she had seen her death on the big screen 50 times over ... Read her beautiful lips: Babe wants to be a love diva but no one taught her how to kiss." Babe, it seems is a bundle of impressions; during the show nothing happens to her at all.

When Deborah Levy first saw the echoing emptiness of the S-Shed she was horrified. But Anya Gallaccio, the artist who recently smeared 300 bars of melted chocolate on the walls of a London gallery, was ecstatic. To her, the soulless space was crying out for two voluminous red and gold velvet curtains, to sweep up and down the full length of the warehouse, and for a bank of 100 19th century theatre seats (there will be standing room for 50).

There will also be mirrors of every shape and size. The one thing that will be lacking is Nylon, shiny or otherwise. Gallaccio evidently does not feel bound to take Levy's title literally. The choreographer, Kristina Page, whose dancing has been described as "visceral", sees the sloping concrete walls and pillars as ideal material to throw herself against and wrap herself around.

If *Shiny Nylon* works, it does not matter whether it is about anything at all. Watching a rehearsal in which the singer, "Babe" Jenny Potter, and dancers haul the curtains up and down, and stretch their bodies against the mossy walls to a sound track suggesting Velvet Underground, you begin to feel that this could, in the end, be something special.

Even so, you might wonder what the London Docklands Development Corporation is doing putting about £25,000 into this sort of thing (£5,000 into the show and £20,000 into refurbishing the warehouse). If it wants to encourage businesses to move to Docklands, getting them to its bleakest spot for an evening standing up watching something without plot is a strange way to go about it. And those who thread their way through the neighbouring building site afterwards to Custom House station may experience some Urban Panic first hand.

Yet to argue that would be to miss the point. The LDDC has set itself the ambitious target of building up an arts centre as good as any in London, with its newly-appointed arts manager Katherine Orrell drawing on regional, national and international talent.

The S-Shed is only one of many old, and sometimes beautiful, warehouses that are empty on the Royal Victoria Dock. Orrell is attempting to find better use for them. "I have an unashamed wish to bring in people with oomph and power to make things happen", she says.

Wright agrees that Shiny Nylon is risky, but says that it is good to "create the freedom to fail". She has had some failures herself recently – her controversial attempt last year to take over the Riverside Studios in Hammersmith was short-lived – but she seems unmoved by predictions of disaster for this latest project. "Everyone says: 'no one will come to that, Jules' – but they will. They always do".

■ Shiny Nylon runs from February 15 to 27. Tickets 071 379 9700

Why IBM downloaded

Alan Cane hacks into the reasons behind the computer giant's decline

International Business Machines in its heyday believed it was better than anybody at anything. Challenged to a boat race by Oxford University, its UK subsidiary trained with characteristic thoroughness and lost convincingly. Chastened but determined it took on the weaker Cambridge crew and lost again. Detailed analysis commissioned by IBM Europe uncovered the reason: while the two universities used one cox and eight oarsmen, IBM had one man rowing and eight steering. Armonk, IBM's corporate headquarters, studied the report and issued its solution: "Change the rower".

Robert Heller retells this undoubtedly apocryphal story to illustrate the problems deep within IBM which have conspired to bring the company down. It is, significantly, the only joke in a book deeply pessimistic about the future of the world's largest computer manufacturer: "With the death of the old IBM in February", he writes, "the torch has passed not only to its new leaders, but to others in many other companies".

He describes his book as a detective story, an investigation of the factors which led an industrial giant with unprecedented power and influence to lose money, its reputation as a paragon of managerial virtue and control of its key markets.

He identifies seven suspects; technological change, the company's idiosyncratic culture, customer preferences, changing markets, suppliers turned competitors, globalisation and management faults. All certainly played their part in IBM's downfall.

The computer industry displays a curious phenomenon; superficially the technology and the business seem simple; below the surface, however, are vast complexities.

THE FATE OF IBM
by Robert Heller
Little Brown £16.99, 370 pages

Here, then, is the simple view of IBM's decline: a large corporation, used to gross profit margins of 70 per cent or more, failed to change quickly enough when the larger part of its business moved to commodity products delivering at most a 20 per cent profit margin.

Reasons for this failure take Heller on a search for clues lasting over 300 pages and bringing the reader en route into contact with many of the remarkable new individual and companies which populate the new computer industry: Bill Gates of Microsoft, America's richest man; Ben Rosen, the brains behind Compaq; Intel, chip maker to the world's personal computer manufacturers; Ross Perot, the fastest, richest Texan in history.

Reading *The Fate of IBM*, however, has something in common with a first visit to a Shakespearian play: it helps to know the story first and to have a passing acquaintanceship with the language. Chronology is abandoned for the sake of the plot. Heller moves freely from the early days of IBM to the present and back again as he develops his theme in a way which sometimes causes vertigo in the reader. There is a good reason. The personal computer business is essentially a new industry which has little in common with the old world of IBM, Unisys and so on. The sharp disjunction around the 1978-82 timeframe makes chronology difficult in such a comprehensive study.

Heller has relied heavily on published sources, mostly US in origin, in preparing his analysis and this detracts somewhat from the freshness of the writing. Covering IBM from the UK is difficult; there has only been one other book of this size about the company – Rex Malik's *and tomorrow ... the World?* (*Millington*, 1975) – written from the UK to my knowledge.

There is the occasional technical error – An Wang made his money from patents on core, not bubble, memory – but the judgments on IBM's managerial failings display Heller's experienced touch.

He will forgive me if I suggest he has not written a "whodunnit" but a "why was it done". It was always going to be the butler.

Victorian variations on Ali Baba

Anthony Curtis is still charmed by tales told by Sheherazade

As I read Robert Irwin's book I became more and more painfully aware of my ignorance of the whole fascinating corpus of stories that goes under the title of *The Arabian Nights*. (Literal translation, "One Thousand Nights and a Night"). To rely upon one's few childhood memories of the stories of Aladdin, Ali Baba and Sinbad the Sailor (heavily bowdlerised, it emerges) is like thinking you know the Bible because you know about Moses in the bullrushes, David's conquest of Goliath and other biblical tales re-told for children.

We tend to regard the *Nights* as a collection of Arab fairy tales. Irwin, a novelist and former university teacher, points out that the material "includes long heroic epics, wisdom literature, fables, cosmological fantasy, pornography, scatological jokes, mystical devotional tales, chronicles of low life, rhetorical debates, and masses of poetry. A few tales are hundreds of pages long; others amount to no more than a short paragraph."

THE ARABIAN NIGHTS: A COMPANION
by Robert Irwin
Allen Lane Penguin Press £20, 344 pages

The Nights represent texts crucial to Western as well as Middle Eastern culture; but like the Bible and the works of Homer their authenticity, chronology, transmission and translation are all matters on which experts disagree. We do not know who the original authors were; we do not have complete primary texts from which to work and we English speakers do not even have a reliable translation of the whole collection, an authorised version.

The earliest manuscript dates from the ninth century and is in the Bibliothèque Nationale in Paris. The Victorian period saw a number of translations into both French and English. The most enlightening part of Irwin's book is the chapter where he deals with these.

The version by Edward Lane, a lithographer, who worked in Cairo, appeared from 1838 to 1841, and gave the tales a wide currency in England. Lane was highly praised by Leigh Hunt; soon Tennyson, Browning and other Victorian writers were reading the tales. After that few imaginative writers escaped their influence in some form. Somerset Maugham read the *Nights* avidly when he was a schoolboy in his uncle's rectory in Kent where they were the only fiction on offer; and R.L. Stevenson wrote a linked series of fresh tales he called *The New Arabian Nights*.

Lane's *Nights* were superseded in 1876-77 by the much fuller version made by John Payne for the Villon Society containing the scurrilous material that Lane, a clergyman's son, had left out. Then Sir Richard Burton, the explorer, who had been consul in Damascus and had published an account of his *Pilgrimage to Mecca and Medina*, approached Payne apparently to collaborate with him but went on to produce his own version. Irwin shows the lengths that Burton went to try to disguise how greatly his version was indebted to Payne's.

There had been versions in French of *Les Milles et une nuits* since the 18th century. In 1704 Antoine Galland, an Arabic interpreter and museum curator, made a version. The odd thing about this was that it appeared to contain tales that are not in the extant manuscripts and no one is quite sure where Galland got them from.

At the turn of the century André Gide, enamoured of all things Arabic, poured scorn on Galland's version in order to promote a new version by a friend of his – a Dr Madrus who hailed from the Caucusus but who was born in Cairo and had a career in France in medicine. Acclaimed when it appeared, the Madrus version reads now like a typical art nouveau product containing "a fantasy Orient, compounded of Opium reveries, jewelled dissipation, lost paradises, melancholy opulence and odalisques pining in gilded cages".

Madrus claimed to be translating from a 17th century North African manuscript. In fact no such manuscript existed but the lie enabled Madrus to put in embellishments and new stories of his own. This version was translated from French into English by Powys Mathers in 1923. As recently as 1986 it was being marketed in paperback as "the only complete and accurate version" in English.

In 1990 an English version appeared by Husain Haddaway which Irwin thoroughly recommends for accuracy and readability. But this was taken from a Calcutta manuscript containing only 271 nights. A wider selection is to be found in the 1973 version for Penguin by N.J. Dawood.

Fortunately much of the charm and the compulsiveness survives in whatever version one happens to have to hand. The framing device of the whole series whereby the life of the narrator – the Vizier's beautiful daughter Sheherazade – hangs on her ability to sustain the curiosity of her tyrannical audience of one – King Shahiyar – is a timeless metaphor of authorship. It replicates throughout as characters within stories tell stories about characters who tell stories upon which their lives depend.

If this was a valid notion a long time ago in the Middle East, Vladimir Propp the Russian folklorist analysed its continuing validity in his *Morfologia Skazi* in 1928, and there have been many subsequent attempts to codify the tales. Meanwhile contemporary creative writers like John Barth in his *Chimera* in 1973 and Salman Rushdie in his *Haroun and the Sea of Stories* in 1990 showed how the infinitely proliferating story can be resuscitated today. It will last as long as their are tales to be told and people to listen to them. Robert Irwin makes us aware of the strength of this narrative tradition in a fine, elegant, learned book.

William Klein became a fashion photographer by accident. A poor American artist in Paris of the 1950s he was spotted by the art director of US Vogue who offered him patronage as a photographer in return for "odd jobs" on the magazine. Klein summed up his approach to this new field when confronted by his first fashion model: "How do I not make both of us look like fools?"
The answer lay in his ability to stage a scene and see the woman, the clothes and her environment as a whole.

In Rome (1960-1962) a black veiled hat on a beautiful woman is no longer an accessory when modelled against the tomb of Keats in the Protestant Cemetery in Via Caio Cestio.
In and Out of Fashion (Jonathan Cape £50, 254 pages) meanders through the fashion capitals of Paris, New York and Rome to his latest work shot behind the catwalk shows in an array of images that transcend the fashions they portray.

The battle against grey

Lynn MacRitchie enjoys a very personal Jarman production

A writer afflicted with Aids, a painter who now can but dimly see, a film maker who sometimes these days cannot focus his own eyes, Derek Jarman has chosen in his latest film and now his latest book to contemplate the phenomenon of colour.

Chroma, printed in sober black on white and deliberately unillustrated, does not attempt to saturate the reader in the essence of its subject, as his film *Blue* did in a grand and glorious gesture. Research for the Blue Concert in Kyoto, he explains, had thrown him "deep into the spectrum," and in *Chroma* he shares the fruits of his labour.

This is no list of simple facts, however. *Chroma* is a typical Jarman production – personal above all, mixing anecdotes of daily life with selected gems from the writings of ancient and modern scholars, scientists and artists, all on the subject of colour. In its pages, colours are celebrated above all for the complexity of their actions on the senses, the myriad ways in which they become manifest, entwined with human activity, inevitably eliciting emotional and irrational responses.

The section headings encapsulate this, the mundanity of familiar concepts – "White Lies", "On Seeing Red", "Grey Matter", "Green Fingers", "A Purple Passage" – exploded in the unpredictable sparkle of the text.

Jarman's has been a life of colour, alive for him as it must be for all painters, the foremost object of their attention and perennial subject of their enquiry. The love of colour, however, could not save it, or its disciple, from a battle against grey. "Grey was the colour of the Slade," he writes, where Jarman's tutor claimed to know nothing of "modern colour" and said almost nothing about his pupil's work.

But in his shared student flat, a tide of white washed away the pastels of the 1950s and opened the door for the rainbow coloured dazzle of hippy graphics, white being, after all, the representative of light "without which no colour can be seen," as Leonardo wrote.

Jarman is not in search of theoretical purity, preferring books in which the authors "put themselves and their prejudices into their writing," as he himself does so engagingly. He likes Pliny especially for writing, "In the good old days painting was an art," and mourning the cult of expensive materials over quality of work.

In the section on red, Jarman links his love of colour to his love of gardens, another sustaining passion from his childhood. "Red first shouted at me from a bed of pelargoniums ... I was four." Later he tells us, "My red pelargoniums, the colour of flaming June, have never died. Each autumn, I take cuttings, and though they are confined to a few flower pots, when I look at them I see the past. Other colours change ... but the red is constant ..."

CHROMA
by Derek Jarman
Century £15.99, 151 pages

His mother's red cheeks, red lips, painting his nails with her red nail polish, his father shouting at him, red in the face, his father who did not want him to be a sissy. Later, the world of sex was also red, red light districts, red lights on police cars, caught red handed ...

And now the red is that of hospitals, this part of the book written on a hospital drip and dedicated to the doctors and nurses at Barts. "I know my colours are not yours," Jarman writes. "Context changes the way we perceive them," just as the context of the writing of this book inevitably turns it from an amusing bricollage to a gesture of extraordinary generosity, a tribute to the continuing need to create and communicate on the very edge of darkness.

Fiction/J.D.F. Jones

It's back to basics

There is a peculiar fascination in the Popular Novel when it is well done – see Du Maurier, Shute, Fowles, and a hundred others. A sub-category, I suggest, is what I call the Accessible Novel, by which I mean a work of fiction which is not necessarily exceptionally good, which need not be a Best Seller, which does not expect a long life, which has limited ambitions, but which nevertheless gives pleasure to thousands of us.

Of course, some of the finest novels are *also* utterly Accessible – see Waugh, Greene, Bellow, etc. The point is that the Accessible Novel is unashamedly not difficult, not obscure, not highbrow, and is above all a Good Read. We have two examples this month.

Terry Coleman is an excellent journalist who has taken to writing a superior sort of historical novel. (The Accessible Novel has a fondness for an historical setting, perhaps because contemporary society does not lend itself to adventure, *challenge*, *initiation*, the exploration of uncharted territory – see Paul Scott, Patrick White, J.G. Farrell, among many others). *Empire* tells the story of the annexation of Texas by the US, which almost didn't happen in 1844.

That may not sound like a rollicking yarn, but Coleman is a gifted writer and he makes a compelling tale of the largely diplomatic manoeuvres. It is always evident that the story is firmly grounded in history at a time when the US was extending its frontiers with a speed which many thought ill-judged, in the generation before the European powers developed an interest in acquiring colonies – Britain turned down Mexico's offer of California and, if this account is correct, Texas was there for London's taking.

EMPIRE
by Terry Coleman
Sinclair-Stevenson £15.99, 390 pages

THE MOUNTAIN OF IMMODERATE DESIRES
by Leslie Wilson
Weidenfeld & Nicolson £15.99, 373 pages

The central character is Sam Houston, president of the sovereign Republic of Texas, and most of the rest of the cast have their place in history – Andrew Jackson, for example, and Captain Charles Elliot, who is better known for his earlier activities in Hong Kong than for his role as British chargé d'affaires to Texas.

Coleman takes a risk with Houston because the man was larger than life, a great, even mythical popular hero, but he manages to pull it off, which is to say that Sam Houston rises convincingly from the page. The novelist invents a certain Lucy Moncrieffe, niece of the British foreign secretary of the time, Lord Aberdeen, but no harm is done and she makes a surprisingly uninhibited Victorian heroine. The test of an historical novel must always be whether or not it helps our imaginative understanding of an obscure and distant time. Yes, it does.

Leslie Wilson also turns to the 19th century for her tale of an English youth and a Chinese girl in Hong Kong. *The Mountain of Immoderate Desires* is a bit more complicated than that: the man is convinced that he is the illegitimate son of Queen Victoria (by John Brown) and the girl is a Suchow foundling adopted by an elderly English scholar to help him achieve immortality with the help of Taoist sexual exercises.

That sounds a pretty rich brew, but Wilson has a vigorous imagination and her novel, with its detailed canvas of Hong Kong a hundred years ago, is unfailingly fascinating. Unlike Coleman, Wilson uses fictional characters and they make a vivid gallery of the late-Victorian empire.

It is a lively book, and a successfully one, even if the prose is sometimes clumsy. To resort to the simplest critical comment – I liked it.

Questions of sex and death

Nicholson Baker made his reputation by possessing a keen eye for the small things in life, the benign gadgets and quiet moments other writers neglected. In his early novels, he depicted minutiae like plastic straws and diaper stays in a way that made them positively luminous. But in *Vox*, his third novel, Baker's gaze blurred somewhat as he focussed on the more often perused subject of sex. Now, with *The Fermata*, he seems to have gone positively myopic as he searches for a new way to look at, well, masturbation.

The book's conceit is the stuff of a schoolboy's wet dreams. The narrator, Arno Strine, finds himself able to stop time, to create a cosmic pause in which all life (except his own) is placed in suspended animation. He uses this power not to rob banks or steal state secrets, but to undress and fondle women. Although the nerdy Arno never actually rapes the frozen females he encounters, he gladly uses them as three-dimensional pin-ups for some acrobatic self-abuse.

At first, it is hard to know just how to take Baker's novel. There is no sense of Arno using time's suspension to achieve some sort of self-knowledge or personal growth. Supernatural conventions are easily acceptable in serious fiction when they provide some sort of satirical or thematic slant on a subject, though Baker seems too interested in his sweaty palmistry for that sort of sophistication. Before long, *The Fermata* simply becomes a numbing succession of pornographic set-pieces.

But there would have been nothing wrong with even that – *if* the book were funny. But Baker's wit, so sharp in his earlier efforts, seriously misfires when focussed on the female anatomy. Having embraced the potentially fertile trickster myth, he delivers only the most obvious sort of gags, thereby passing up untold opportunities for real laughs. In the end, *The Fermata* reads like nothing more than the confessions of some pimply high school sophomore in the throes of unrelieved pubescent tumult.

THE FERMATA
By Nicholson Baker
Chatto & Windus £14.99, 305 pages

WHAT'S WRONG WITH AMERICA
by Scott Bradfield
Picador £14.99, 196 pages

There is an equally bizarre pretext behind Scott Bradfield's second novel, *What's Wrong with America*. In it, Emma O'Hallahan, a 69-year-old Southern Californian grandmother, decides she has had enough of her husband, Marvin. So, being the red-blooded American woman she is, she lets him have it in the back of the head with a shotgun, buries him in the backyard and proceeds to get on with her life. Soon, however, a nosy next door neighbour begins to wonder what became of Marvin. She, too, finds herself pushing up daisies. Free at last, Emma starts drinking and dating a shy widower, only to find out that his wife's recent death was not from natural causes, either. The California suburbs, it seems, are not such a cosy place after all.

Told in the form of Emma's thunderingly banal diaries, Bradfield's novel is an often hilarious black comedy about the twin demons of the American psyche – casual violence and facile self-improvement. The author proves himself a master of the unreliable narrator technique, keeping the reader guessing from the first cheerily bloody pages whether or not to believe Emma. Is Marvin's decaying ghost really visiting her? Is he dead at all? And just who is buried in that third grave in the back garden?

It is only at the end, when Emma's narration gives way to the babble of her airhead grandson, that the novel loses its edge. That said, *What's Wrong with America* remains a daring and largely successful satire on that vast insane asylum known as California.

Stephen Amidon

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Walking the Dog. 7.50 Peter Pan and the Pirates. 8.15 Chucklevision. 8.35 The Raccoons. 9.00 Live and Kicking.

12.12 Weather.

12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus: News from the FA Premiership, plus action from the week's FA Cup fourth-round replays. 12.50 Winter Olympics: Preparations for the opening ceremony. 1.00 News. 1.05 Racing from Newbury: The 1.10 Mandarin Handicap Chase. 1.20 Snooker: The Masters. Coverage of the semi-finals from Wembley Conference Centre. 1.35 Racing: The 1.40 Mitsubishi Shogun Game Spirit Chase. 1.50 Snooker. 2.10 Racing: The 2.15 Tote Gold Trophy Handicap Hurdle. 2.25 Snooker. 2.55 Rugby League: Leeds v Warrington. Fifth-round action from the Challenge Cup. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.

5.10 News.

5.20 Regional News and Sport.

5.25 Tunnel Vision: Le Walk. Mike Smith reports on the progress of the charity walk through the Channel Tunnel.

5.45 The New Adventures of Superman. Lois and Clark infiltrate a sleazy criminal gang they suspect is behind a spate of fires in Metropolis.

6.30 Noel's House Party. With guest appearances by Ronnie Corbett and Carol Barnes.

7.30 Big Break. Ray Reardon, Rex Williams and Ray Edmonds compete to help contestants win big prizes.

8.00 Birds of a Feather. Dorien writes a scandalous autobiography, but gets cold feet about publishing it when she realises Marcus may recognise her as the author – will Sharon volunteer to help conceal her friend's sordid past?

8.30 Casualty. A school bully gets his comeuppance, and the outlook begins to look bleak for a woman suffering from serious facial injuries. Feelings run high as the future of Queen's Hospital is finally revealed.

9.20 News and Sport; Weather.

9.40 Tunnel Vision: Le Walk. Mike Smith introduces live coverage as the exhausted walkers complete their mammoth charity trek.

9.55 That's Life!

10.35 Match of the Day. Highlights from today's FA Premiership.

11.35 Snooker: The Masters. Action from the second semi-final of the prestigious tournament at Wembley Conference Centre.

1.45 Weather.

1.50 Close.

BBC2

6.00 Open University.

12.15 Film: The Rise and Fall of Legs Diamond. Gangster biopic chronicling the bloodthirsty exploits of a New York hoodlum (Ray Danton) as he attempts to maintain control of his territory (1960).

1.55 Past and Present Preserved. A look at Dutch culture, including a unique 18th century planetarium.

2.10 Horizon. New breakthroughs in cancer treatment, based on research into patients who have seemingly recovered miraculously.

3.00 Winter Olympic Grandstand. Sue Barker introduces live coverage of the opening ceremony of the games from Lillehammer, Norway.

5.00 Snooker: The Masters. The second semi-final from Wembley Conference Centre.

5.30 Late Again.

6.15 Scrutiny.

6.45 News and Sport; Weather.

7.00 Tomorrow's Socialism. Former Labour Party leader Neil Kinnock visits Germany and Sweden to see how the principles of ethical socialism are being applied.

7.45 Yo Picasso. Semi-fictional account of the influential artist's career, featuring rarely seen home movie footage and reconstructed scenes of his early life. This drama-documentary, set in the 1960s, is based on reported conversations and features the voices of Picasso's surviving mistresses, including 102-year-old Irene Lagut.

8.35 Unplugged. Acoustic performance by Crosby, Stills and Nash filmed in 1990, including their best-known anthem Suite Judy Blue Eyes.

9.00 Arena. Award-winning film-maker Isaac Julien confronts ragga and rap stars Shabba Ranks, Ice Cube and Public Enemy's Chuck D, and assesses their influence on today's youth.

10.00 Between the Lines. Sgt Connell infiltrates a station manned by hostile officers suspected of corruption, while a prisoner's release has personal implications for Det Supt Clark. Shown previously on BBC1.

10.50 Later with Jools Holland.

11.45 Winter Olympic Grandstand. Highlights of the opening ceremony from Lillehammer, Norway. Plus, reviews of the first ice hockey matches and a look ahead to tomorrow's Men's Downhill.

12.35 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30pm Movies, Games and Videos.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 NBA Basketball. Alton Byrd introduces the game of the week.

2.10 Film: Carry On Cleo. Motley British slaves save Caesar from assassination. Saucy adaptation of the Cleopatra story, starring Sid James and Kenneth Williams (1965).

3.50 International Athletics. Great Britain v US from Kelvin Hall, Glasgow, with Sally Gunnell, Linford Christie and Colin Jackson leading a powerful British team against the mighty Americans.

4.40 ITN News and Results; Weather.

5.00 London Tonight and Sport; Weather.

5.20 International Athletics: The Main Event. The Women's 400m, with British hope Sally Gunnell making her 1994 track debut.

5.35 Baywatch. Romantic problems for the California lifeguards as Mitch avoids making a commitment to Jackie, and Hobie falls for a young girl who hides a tragic secret.

6.30 Blind Date Special. Cilla Black attends the wedding of Lilian Morris and David Fensom, the senior citizens who fell in love after meeting on the show, and presents highlights from the last series.

7.30 Barrymore. Star-struck amateurs demonstrate their talents on stage, featuring a singer from Renfrewshire, and Bournemouth breakdancers Second to None.

8.30 Beadle's About.

9.00 ITN News; Weather.

9.10 London Weather.

9.15 Film: Buster. Phil Collins stars in this romanticised account of the life and times of petty-thief-turned-train-robber Buster Edwards, with Julie Walters as his wife (1988).

11.00 Film: The Hard Way. Patrick McGoohan stars in this taut thriller as a disillusioned hit man ready to hang up his gun – until his uncompromising boss offers him one last job (1980).

12.35 Comedy Club.

1.05 Tour of Duty.

2.00 Get Stuffed; ITN News Headlines.

2.05 The Big E.

3.05 Get Stuffed; ITN News Headlines.

3.10 New Music.

4.10 Travel Trails.

4.40 BPM.; Night Shift.

CHANNEL4

6.00 4-Tel on View. 6.35 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 Gazzetta Football Italia. 12.00 World Tennis. 12.30pm Islamic Conversations.

1.00 An Artist Looks at Churches. John Piper looks at ecclesiastical art.

1.20 Racing from Uttoxeter. The 1.30 Gulf Air Handicap Hurdle, 2.00 J and B Novices' Chase, 2.30 Singer and Friedlander Handicap Chase, and the 3.00 Marstons Pedigree Novices Handicap Chase.

3.20 Film: On Moonlight Bay. Doris Day stars as a tomboy in a small Indiana town who finds romance with a well-to-do college student. Nostalgic comedy, co-starring Gordon MacRae (1951).

5.05 Brookside.

6.30 Right to Reply. Viewers' opinions on recent TV programmes.

7.00 A Week in Politics. Irreverent recap of the week's parliamentary stories; News.

8.00 Kingdoms in Conflict. Why the Kennedy Space Centre, the world's largest rocket launching site, has become a refuge for more threatened and endangered bird and animal species than anywhere else in America. Rare ospreys and pelicans nest undisturbed amid the sights and sounds of shuttle blast-offs, and a rapidly growing alligator population has led to a greater understanding of these often feared creatures. The programme reveals the importance of the site's geographic features to the wildlife inhabiting it.

9.00 NYPD Blue. Martinez sets out on the trail of a fellow officer who caused the death of an elderly man.

10.00 Don't Forget Your Toothbrush. Chris Evans presents this zany entertainment show, featuring Jools Holland's regular tribute to a 20th century pop icon.

11.05 United States of Television. New series. Laura Kightlinger presents a weekly report on the world of American TV, including a compilation of the most interesting and bizarre items from the hundreds of channels available. The opening programme features Ivana Trump's Hungarian goulash recipe, and a round-up of celebrity fitness programmes.

11.50 Broadway Stories. Surreal Damon Runyon tale about a practical joker who finally gets his comeuppance.

12.30 Late Licence.

12.40 Bill Hicks: Revelations.

1.35 Herman's Head.

2.05 The Word.

3.05 Belinda Carlisle.

4.15 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.05 Anglia News. 1.10 Cartoon Time. 1.20 The Munsters Today. 1.45 Knight Rider. 2.40 International Athletics. 5.00 Anglia News and Sport 5.15 Cartoon Time. 9.10 Anglia Weather. 11.00 Nightmare. (TVM 1991)

BORDER: 1.05 Border News. 1.10 Men of Sherwood Forest. (1954) 2.40 International Athletics. 5.00 Border News and Weather 5.15 Cartoon Time. 11.00 Nightmare. (TVM 1991)

CENTRAL: 12.30 America's Top 10. 1.05 Central News 1.10 COPS. 1.35 Movies, Games and Videos. 2.05 WCW Worldwide Wrestling. 2.40 International Athletics. 5.00 Central News 5.05 The Central Match - Goals Extra. 9.10 Local Weather. 11.00 Nightmare. (TVM 1991)

CHANNEL: 12.30 Heidi. 1.05 Channel Diary. 1.10 Sail the World. 1.40 NBA Basketball. 2.40 International Athletics. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 5.10 Cartoon Time. 11.00 Nightmare. (TVM 1991)

GRAMPIAN: 12.30 Monadh Ard (Moonacre). 1.05 Grampian Headlines 1.10 Teleffos. 1.40 Speaking Our Language. 2.10 Sail the World. 2.40 International Athletics. 5.00 Grampian Headlines 5.05 Grampian News Review. 5.15 Cartoon Time. 9.10 Grampian Weather. 11.00 Nightmare. (TVM 1991)

GRANADA: 1.05 Granada News 1.10 Men of Sherwood Forest. (1954) 2.40 International Athletics. 5.00 Granada News 5.05 Bugs Bunny. 11.00 Nightmare. (TVM 1991)

HTV: 1.05 HTV News. 1.10 Sail the World. 1.40 The A-Team. 2.40 International Athletics. 5.00 HTV News and Sport 9.10 HTV Weather. 11.00 Nightmare. (TVM 1991)

HTV Wales as HTV except: 5.05 Cartoon Time.

MERIDIAN: 12.30 Heidi. 1.05 Meridian News. 1.10 Sail the World. 1.40 NBA Basketball. 2.40 International Athletics. 5.00 Meridian News. 5.10 Cartoon Time. 11.00 Nightmare. (TVM 1991)

SCOTTISH: 12.30 Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Teleffos. 2.10 Starting from Scratch. 2.40 International Athletics. 5.00 Scotland Today 5.05 Cartoon Time. 9.10 Scottish Weather. 11.00 Nightmare. (TVM 1991)

TYNE TEES: 1.05 Tyne Tees News. 1.10 The Munsters Today. 1.40 Wanted: Dead or Alive. 2.10 Yesterday's Heroes. 2.40 International Athletics. 5.00 Tyne Tees Saturday 11.00 Nightmare. (TVM 1991)

ULSTER: 12.30 Blockbusters. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Movies, Games and Videos. 1.50 Cartoon Time. 2.05 WCW Worldwide Wrestling. 2.40 International Athletics. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 9.10 UTV Live News 11.00 Nightmare. (TVM 1991)

WESTCOUNTRY: 1.05 Westcountry Weekend Latest. 2.10 On the Grid. 2.40 International Athletics. 5.00 Westcountry Weekend Latest. 11.00 Nightmare. (TVM 1991)

YORKSHIRE: 1.05 Calendar News. 1.10 The Munsters Today. 1.40 Wanted: Dead or Alive. 2.10 Yesterday's Heroes. 2.40 International Athletics. 5.00 Calendar News. 11.00 Nightmare. (TVM 1991)

SUNDAY

BBC1

7.30 Penny Crayon. 7.40 Playdays. 8.00 The Little Green Planet Show. 8.15 Breakfast with Frost. 9.15 Glimpses of God. 9.30 This is the Day. 10.00 Draw Me. 10.15 The Animals of Farthing Wood. 10.40 Incredible Games. 11.05 As Seen on TV. 11.30 Maid Marian and Her Merry Men.

12.00 Italianissimo. Anna Mazzotti visits Florence.

12.15 See Hear! A review of the week's news stories. With sign-language and in-vision subtitles.

12.30 CountryFile. Current green and rural issues.

12.55 Weather for the Week Ahead.

1.00 News.

1.03 On the Record. John Humphrys monitors current political developments.

2.00 EastEnders.

3.00 Film: Ride Clear of Diablo. Gunslinger Audie Murphy sets out to track down the man who killed his father, hellbent on avenging the bloody deed. Western, co-starring Dan Duryea (1954).

4.20 Biteback. Viewers offer their criticisms of BBC programmes.

5.00 The Clothes Show. The team jets off to Barbados for a look at new spring swimwear designs.

5.25 Antiques Roadshow. The experts visit Cork in Ireland to evaluate items including a pottery basket, a Regency sofa and a piece of rare Irish tapestry.

6.10 News.

6.25 Songs of Praise.

7.00 As Time Goes By. Lionel rises to the occasion when he learns he has only a few days to write an outline for a potential American mini-series.

7.30 The House of Eliott. Financial ruin threatens Evie and Bea when corrupt wheeler-dealer Larry Cotter releases cheap copies of their new collection.

8.25 Only Fools and Horses. Another chance to see the 1990 Christmas special. Romance looms large in Del's life when Raquel moves into Nelson Mandela House, while Rodney struggles to keep a tight rein on Cassandra.

9.40 News and Weather.

9.55 Family Call. Nick Ross hosts a live phone-in debate on public attitudes to the role of men in today's society.

10.40 Heart of the Matter. Joan Bakewell reports on male nurses who have sexually abused children in their care.

11.15 Film: The Empty Beach. Australian thriller, with Anna Maria Monticelli (1985).

12.45 Weather.

12.50 Close.

BBC2

6.15 Open University. 9.10 Winter Olympic Grandstand. 11.30 Wild Westerns. 12.00 The O-Zone. 12.25pm The Fugitive. 1.15 The Phil Silvers Show.

1.40 The Living Soap. Valentine's Day approaches, and sex rather than romance begins to prey on the students' minds.

2.00 Around Westminster. Review of political developments.

2.30 Sarajevo: A Street Under Siege. The latest from the war-torn city.

2.40 Snooker: The Masters. Dougie Donnelly introduces the first session of this year's final.

5.00 Rugby Special. Gloucester v Bath. Chris Rea introduces the action, with commentary by Nigel Starmer-Smith.

6.00 Winter Olympic Grandstand. Speed-skating: The men's 5,000m from Hamar Olympic Stadium. Ice Hockey: Sweden v Slovakia.

7.00 The Money Programme. Investigation into the financial powers recently given to local government managers, and their effectiveness in freezing public sector pay. Simon Gompertz reports.

7.40 Baby Monthly. Diary-documentary focusing on five couples awaiting the birth of new family members. Tonight in The Diaries Begin, parents meet the scientists who, over the coming months, will give them the latest information on child development.

8.20 Richardson on Picasso. New series. The inspiration behind the painter's masterpiece Les Demoiselles d'Avignon. The first of three films made by art historian John Richardson, author of A Life of Picasso.

8.45 Picasso in Concrete. The influential artist's sculptures based on Manet's masterpiece, Dejeuner sur l'Herbe.

8.55 Moving Pictures. Review of Steven Spielberg's Schindler's List, the true story of a Nazi party member who helped more than 1,000 Jews escape the gas chambers. Roman Polanski, Claude Lanzmann and other Jewish film-makers discuss Hollywood's treatment of the Holocaust. Plus, on location with Souleymane Cisse in Mali.

9.45 Winter Olympic Grandstand. Figure skating: The competition gets under way with the pairs free technical programme.

10.35 Snooker: The Masters. Coverage of the final from Wembley Conference Centre.

12.10 Film: Yeelen. Drama, starring Issiaka Kane (1987).

1.55 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.

1.10 Walden. Interview with Gerry Adams, president of Sinn Fein.

2.00 Animal Country. Desmond Morris interviews wildlife photographer Eric Ashby.

2.30 Father Dowling Investigates. The divine sleuth helps a naive widow save her inheritance from devious operators.

3.30 The Match – Live. Manchester United v Sheffield Wednesday in the first leg of the Coca Cola Cup semi-finals from Old Trafford. Commentary by Brian Moore and Ron Atkinson.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Film: Romancing the Stone. A romantic novelist gets mixed up in adventure when she sets out in search of her kidnapped sister. Michael Douglas, Kathleen Turner and Danny DeVito star (1984).

8.20 Dandelion Dead. Herbert feels threatened by his business rival – will he have to resort to the arsenic again? Concluding the murder mystery, based on a real-life case which shook the peaceful town of Hay-on-Wye in Wales in the 1920s. Starring Michael Kitchen, Leslie Sharp, Peter Vaughan and David Thewlis.

10.20 Michael Winner's True Crimes. Dramatic reconstruction of a real-life investigation.

10.50 ITN News; Weather.

10.55 London Weather.

11.00 The South Bank Show. Profile of French screenwriter Jean-Claude Carriere, who has scripted more than 70 films including Belle de Jour, Cyrano de Bergerac and The Tin Drum. Carriere, who has more recently started work with Peter Brook on a production of the Hindu epic, the Mahabharata, is also a playright, cartoonist, writer and translator, and has, on occasion, also directed and acted. Melvyn Bragg meets him at his home in Paris.

12.00 Sail the World.

12.30 Cue the Music.

1.30 Get Stuffed; ITN News Headlines.

1.35 War of the Worlds; ITN News Headlines.

2.30 Music from the Circus.

3.00 Off Beat.

3.30 Snooker: The 1994 European League.

CHANNEL4

6.05 Early Morning. 9.45 The Lone Ranger. 10.15 Saved by the Bell. 10.45 Planet of the Apes. 11.45 The Little House on the Prairie. 12.45pm Bush Tucker Man.

1.15 Board Stupid. Normski reports on the snowboarding craze currently sweeping winter sports destinations.

1.45 Football Italia. The Serie A clash between Parma and Sampdoria.

4.00 Dinosaur Footprints. Four-part examination, beginning with the 18th century discovery of a large jaw bone in a quarry in Maastricht, Belgium.

5.00 Bungled Bungalow. Cartoon fun with Mr Magoo.

5.10 News Summary; Weather.

5.15 High Interest. Joanna Lumley looks at the phenomenon of airport terminal shopping, the fastest growing and most profitable retail trend in Britain.

6.00 Moviewatch. Reviews of Spielberg epic Schindler's List, A Bronx Tale directed by Robert De Niro, and Flight of the Innocent. In Hollywood, Laurie Pike chats to Kim Basinger star of Wayne's World 2, while Johnnie Vaughan chats to Steven Berkoff director and star of Decadence.

6.30 The Cosby Show. Another visit to the Huxtable household. Denise realises that raising kids is not that easy.

7.00 Encounters. New series. Report on the work of five scientists who claim to have discovered the remains of Noah's Ark in the remote mountains of Turkey.

8.00 Horse Opera. Comic opera about a lowly office worker who, after suffering a head injury, imagines he lives in the Wild West era. Rik Mayall makes his operatic debut alongside Edward Tudor Pole and Gina Bellman (from Dennis Potter's Blackeyes). The production is scored by former Police drummer Stewart Copeland.

9.00 Film: Driving Miss Daisy. Jessica Tandy stars in this old-fashioned drama as an elderly Jewish widow whose stuffy attitude to her wily black chauffeur slowly turns to affection (1989).

10.55 The Falklands War. The sinking of the General Belgrano.

12.00 Film: The Birdwatcher. Romantic drama chronicling the unlikely relationship between a young student and a middle-aged forester. Svetlana Tormakhova stars (1988). (English subtitles).

1.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Food Guide. 12.55 Anglia News. 2.00 Wish You Were Here? 2.30 Bullseye. 3.00 Animal Country. 6.00 Anglia News on Sunday 10.55 Anglia Weather.

BORDER: 12.30 Gardener's Diary. 12.55 Border News. 2.00 Incredible Stunts and Jumps. 5.00 Cartoon Time. 5.15 Coronation Street. 6.15 Border News.

CENTRAL: 12.30 Central Newsweek. 12.55 Central News 2.00 It's Your Shout. 2.30 Hit the Town. 3.00 Bullseye. 6.00 Take 15. 6.15 Central News 10.55 Local Weather.

CHANNEL: 12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Telejornal. 2.00 The Pier. 2.25 The Listings. 5.00 Cartoon Time. 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Channel News.

GRAMPIAN: 11.00 Sunday Service. 11.45 Eikon. 12.00 This Sunday. 12.30 Gardener's Diary. 12.55 Grampian Headlines 2.00 Movies, Games and Videos. 2.30 Scotsport. 6.15 Grampian Headlines 10.55 Grampian Weather.

GRANADA: 12.25 Granada On Sunday. 12.55 Granada News 2.00 Incredible Stunts and Jumps. 2.30 Coronation Street. 6.00 Cartoon. 6.15 Granada News

HTV: 12.25 Meredith on Sunday. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 The Great Bong. 3.00 Journeyman. 6.00 Cartoon Time. 6.15 HTV News. 10.55 HTV Weather.

HTV Wales as HTV except: 12.25 People. 2.00 Playback. 2.30 Highway to Heaven.

MERIDIAN: 12.30 Seven Days. 12.50 Meridian News. 2.00 The Pier. 2.25 The Listings. 5.00 Cartoon Time. 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Meridian News.

SCOTTISH: 11.00 Sunday Service. 11.45 Eikon. 12.00 This Sunday. 12.30 Wemyss Bay 902101. 12.55 Scotland Today. 2.00 Movies, Games and Videos. 2.30 Scotsport. 6.15 Scotland Today 10.20 ITN News 10.30 Scottish Weather. 10.35 The Highest Court. 11.35 The South Bank Show.

TYNE TEES: 12.25 Tyne Tees Newsweek. 12.55 Tyne Tees News. 2.00 Yesterday's Heroes. 2.30 Cartoon. 2.40 Stuntmasters. 6.00 Tyne Tees Weekend. 10.55 Local Weather.

WESTCOUNTRY: 12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Sail the World. 5.00 Getaways. 5.30 Roadrunner. 6.00 Tweety Pie. 6.15 Westcountry Weekend Latest.

YORKSHIRE: 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Yesterday's Heroes. 2.30 Cartoon. 2.40 Stuntmasters. 6.00 Calendar News and Weather 10.55 Local Weather.

S4C Wales as Channel 4 except:- 7.00 Early Morning. 9.00 Slot Sul. 9.30 Now You're Talking. 9.55 The Three Stooges. 11.45 Little House on the Prairie. 12.45 Mork and Mindy. 1.15 Faces of the Family. 4.00 Time Team. 5.00 Dechrau Canu Dechrau Canmol. 5.30 Pobol y Cwm. 7.15 Bwrw'r Sul. 8.05 Hel Straeon. 8.35 Pris Y Farchnad. 9.35 Newyddion. 9.40 Saith Ar Y Sul. 10.00 San Steffan. 10.20 The Pope Must Die. (1991)

RADIO

SATURDAY

BBC RADIO 2

6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Sally O'Sullivan. 12.00 Hayes on Saturday. 1.30 Ken Dodd's Comedy Club. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 The Lost Days of Tin Pan Alley. 5.00 Cinema 2. 5.30 Nick Barraclough. 6.00 Buddy Greco Concert. 7.00 Thicker Than Water. 7.30 Welsh Winter Prom. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

BBC RADIO 3

6.30 Open University: Talking About the Enlightenment. 6.55 Weather. 7.00 Record Review. Wenzel, J.S. Bach, Weber, Mendelssohn, Matthew Locke and Robert Smith, Britten. 9.00 Building a Library. Bartok's The Miraculous Mandarin, by Jonathan Swain. 10.10 Record Release. Hasse, Telemann, Schumann. 12.00 Spirit of the Age. 1.00 News. 1.05 Selected Poets. 1.20 The Fine Song. 2.05 Chamber Music from Bristol. 3.00 Vintage Years. 5.00 Jazz Record Requests. 5.45 Music Matters. The role of orchestral leader. 6.30 Live from the Met. Mozart's Le nozze di Figaro. Sung in Italian. 10.30 The Reith Lectures: Managing Monsters. Childhood Innocence. 11.00 Impressions. Paul Oliver reviews recent books about the blues. 12.30 News. 12.35 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends. Hosted by Ned Sherrin.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box. Financial advice.
12.25 Just a Minute.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444. Phone-in response programme.
2.30 Playhouse: Meeting Bea. By Eric Pringle.
4.00 Age to Age. Fascism.
4.30 Science Now.
5.00 File on 4. Private consultants.
5.40 View from the Fish Queue.
6.00 News and Sports Round-Up.
6.25 Week Ending. Irreverent look at the week's news.
6.50 Ad-Lib. Porters at an Oxford College.
7.20 Kaleidoscope.
7.50 Saturday Night Theatre: Underground. Tim Holland's contemporary thriller.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Quote Unquote.
10.45 Testing Times.
11.00 Mirrored in Music.
11.30 Fear on Four.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5

6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 Get Set.
10.30 The Teenage Detective.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
6.05 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 The Green Hornet.
10.15 The Way Out.
12.00 Close.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:

6.00 News; British News; The World Today. 6.30 Europe Today. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 Printer's Devil. 10.15 Letter From America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From the Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith; Multitrack Three. 12.45 Sports Round-up. 1.00 Newshour. 2.00 News Summary; John Peel. 2.30 Sportsworld. 3.00 News; Sportsworld. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News Summary; Sportsworld. 5.30 BBC English. 6.00 Newsdesk. 6.30 Heute Aktuell. 7.00 Nachrichten. 7.05 Weekend Feature. 8.00 News; Words of Faith; Personal View; Megamorphosis. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News Summary. 1.01 Play of the Week: Mr McNamara. 2.00 Newsdesk. 2.30 The Art of Travel. 3.00 News; British News; Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News; Alexis Korner's Rhythm 'n' Blues. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 The Music of Bert Kaempfert. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3

6.30 Open University: Modern Art - Salons and Academic Training. 6.55 Weather. 7.00 Sacred and Profane. Delius, Schubert, Bax. 9.00 Brian Kay's Sunday Morning. 12.15 Music Matters. 1.00 News. 1.05 From the BBC Proms 1993. 2.40 Cheltenham Festival 1993. Beethoven and David Matthews. 4.00 The BBC Orchestras. Mendelssohn and Brahms. 5.45 Making Waves. With Humphrey Carpenter. 6.30 Ronald Brautigam. Mozart, Beethoven, Schubert. 7.30 Sunday Play: Soliman. Ludwig Fels' analysis of racial animosity. 9.20 Music in Our Time. Jose Carlos, Francesca Ancarola, Marta Lambertini, Cirilo Vila, Gabriel Matthey, Andres Alcalde, Eduardo Carceros. 10.25 Choir Works. Haydn. 12.30 News. 12.35 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday. Religious news.
8.50 Thora Hird. Appeals on behalf of Y Care International.
9.00 News.
9.10 Sunday Papers.
9.15 Letter From America.
9.30 Morning Service.
10.15 The Archers Omnibus.
11.15 Mediumwave.
11.45 Itchy Feet.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: The War of the End of the World.
3.30 Pick of the Week.
4.15 Analysis. Life without inflation.
5.00 Homing in on the Hill.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Keeping the Faith.
6.30 Blooming Perfect.
7.00 The Word on the Street. Prostitution in Britain today.
7.30 Conversation Piece.
8.00 (FM) Age to Age. Fascism in the 20th century.
8.00 (LW) Open University.
8.30 (FM) SOS. A flying doctor in Africa.
9.00 (FM) The Natural History Programme. A spider phobia clinic.
9.30 (FM) Special Assignment. The week's news stories.
10.00 News.
10.15 With Great Pleasure. A poetry selection by Marsha Hunt.
11.00 In Committee. Current issues.
11.30 Seeds of Faith. The impact of the Second Vatican Council on the Catholic Church.
12.00 News.
12.33 Shipping Forecast.
12.43 (LW) As World Service.
12.43 (FM) Close.

BBC RADIO 5

6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 The Wind in the Willows.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Simon Fanshawe's Sunday Brunch.
2.00 A Century Remembered.
2.30 Over the Moon, Sick as a Parrot.
3.00 Sunday Sport.
7.15 Sporting Albums.
7.45 Italianissimo II.
8.15 Language Live.
9.30 The Dump.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:

6.00 News; British News; Printer's Devil. 6.30 Jazz For The Asking. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Ray On Record. 9.00 News; World Business Review. 9.15 Short Story: The Stuff of Dreams. 9.30 Folk Routes. 9.45 Sports Round-up. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 News Summary; Play of the Week: Mr McNamara. 1.00 Newshour. 2.00 News Summary; This is Your Sport. 2.30 Anything Goes. 3.00 News; International Recital. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News; World Business Review; BBC English. 6.00 Newsdesk. 6.30 News in German. 8.00 News; Words of Faith; Folk Routes. 8.30 Europe Today. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; World Business Review; Ray On Record. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; Opera of the Week. 1.45 Sharp Talents. 2.00 Newsdesk. 2.30 Composer Of The Month. 3.00 News; British News; Sports Roundup. 3.30 Anything Goes. 4.00 News; Unconsidered Trifles. 4.30 BBC English. 4.45 News and Press Review in German.

CHESS

David Bronstein, the former world title challenger and one of the great chess artists, will be 70 next week but his enthusiasm is undimmed. Bronstein values imagination and novel ideas above scoring points, and argues his views both at the board and in his writings.

He almost unseated Mikhail Botvinnik, the patriarch of Soviet chess, in their 1951 match in Moscow, where Bronstein was one up with two to play. Typically, he prepared for the decisive encounter by five-minute blitz games, then missed an easy draw which would virtually have clinched the world championship.

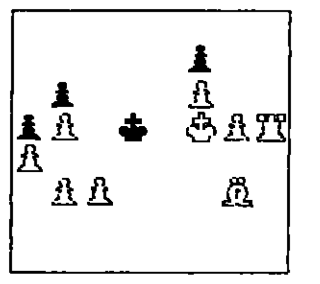
Fifty years ago, Bronstein was joint winner at Hastings with Hugh Alexander, my predecessor as *FT* columnist. Their game was an epic queen and pawn ending spread over 120 moves and four days.

Last month Bronstein returned to Hastings, hoping to celebrate his jubilee in the Challengers tournament. He began with three wins and a draw then, ironically, lost in the style of his own youth (Y Yakovich, White; D Bronstein, Black; Hastings 1993-4).

1 d4 d5 2 c4 dxc4 3 e3 Nf6 4 Bxc4 e6 5 Nf3 c5 6 Qe2 cxd4 7 exd4 Nc6 8 Nc3 Be7 9 0-0 0-0 10 Rd1 Nd5 11 Bb3 a6 12 Bd2 Qd6?! Now White can chase the queen with gain of time. Orthodox strategy against White's d4 pawn is b6 and Bb7 or Bf6 with g6 and Bg7.

13 Rac1 Rd8 14 Ne4 Qb8 15 Nfg5 h6 16 Nf3 Bd7 17 Nc5 Be8 18 Qe4 Nf6 19 Qh4 b6 Another provocation. Instead Nd5 offers a draw by repeated moves.

20 Nxe6 fxe6 21 Bxe6+ Kf8?? Kh8! 22 Bxh6 Nh5 23 Bg5 Bxg5 24 Nxg5 Qf4 leaves all to play for. **22 Qxh6! Resigns.**



No 1008
White mates in three moves, against any defence (by F Giegold).

Solution Page XXIII

Leonard Barden

BRIDGE

In today's hand, which comes from rubber bridge, the declarer made his contract because one defender failed to see the threatened squeeze:

N
♠ J
♥ AQ953
♦ AK2
♣ J1085

W
♠ A3
♥ 82
♦ Q10864
♣ AKQ6

E
♠ 542
♥ KJ1064
♦ 97
♣ 973

S
♠ KQ109876
♥ 7
♦ J53
♣ 42

With East-West game, South dealt and bid three spades, while North's raise to four closed the auction.

West led the ace and king of clubs, East following with three and nine. This asked for a heart switch, so West duly led his eight. Taking with dummy's ace, South led the spade knave, won by West who played his remaining heart. Ruffing in hand, South ran off four more rounds of trumps to leave a four-card ending.

West held queen, 10, eight of diamonds and the club queen; dummy held the ace, king two of diamonds and the knave of clubs; while declarer held one spade and knave, five and three of diamonds. At the 10th trick, South played off his last trump and West was caught in a one-way squeeze. He let go a diamond, dummy's ace and king were cashed - dropping the queen. South was home.

East was right to request a switch to hearts but West should have ignored it. He knows declarer has seven spades and two clubs. If he has a second heart, he has only two diamonds and there is no need to lead a heart - if East has a trick, it cannot run away. But if South has three diamonds, a squeeze is possible and the club menace in dummy must be killed.

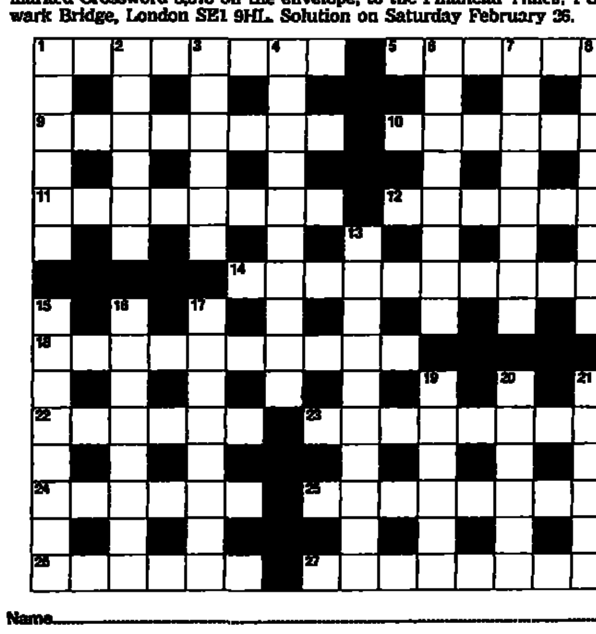
At trick three, West must play his queen of clubs. South ruffs and leads a spade. West wins and leads another club, which East ruffs. The menace is gone and the contract fails.

E.P.C. Cotter

CROSSWORD

No. 8,378 Set by VIXEN

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 23, marked Crossword 8,378 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday February 26.



Name..
Address..

ACROSS

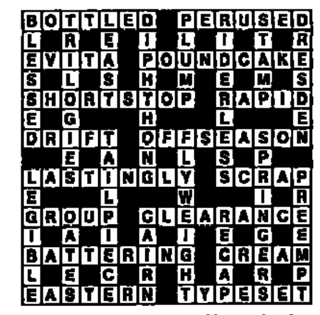
1 Going back to help people brings much criticism (8)
5 Figures the woman's without a penny (6)
9 Slips are of course made by lingerie manufacturers (8)
10 Look really pained when pen is found outside hospital (6)
11 So many in a Hebridean isle can be exasperating (8)
12 Spread about English authoress (6)
14 Not against development where there is none (10)
18 Orders given after the underworld fires (10)
22 A quiet and exceptionally airy place for busy workers (6)
23 A military leader in charge – efficient yet courteous (8)
24 West African town producing only one shoddy article (6)
25 Stay in play (8)
26 Old city man in best possible situation (6)
27 He rates fools, getting endlessly irritated (8)

DOWN

1 Sportsman drawn into river controversy (6)
2 A management group all set for a cruise? (6)
3 Dealing with a girl delinquent (6)
4 They operate constantly under pressure (10)
6 The rider harms one when careless (8)
7 Wretched way to call up (8)
8 Supporter taking in drink – such reprehensible behaviour! (8)
13 Greens met a problem in arranging deals (10)
15 An impractical person's fancy table (8)
16 A skinhead – lawless individual but sound (8)
17 Need a little time? (8)
19 In truth this car certainly is unusual (6)
20 Counter revolutionary graduate a copper's after (6)
21 A traveller in space – remote parts (6)

Solution 8,377

Solution 8,366



WINNERS 8,366: Miss S. Fullom, Henbury, Bristol; J. Blair, Beckenham, Kent; A. Durai, Burgess Hill, Sussex; K.W. Jackson, Nuthall, Notts; Mrs S.L. Smith, Liverpool; R.C. Wrigley, Denia/Alicante, Spain.

Milligan: is there need for remorse?

***Dominic Lawson** explains why he'd rather **not** know the details of an MP's death*

There are some things I would rather not know. I would rather not know the circumstances of the death of Stephen Milligan MP. Like most people, I do not feel ennobled by the knowledge of the exact method of his accidental suicide, as described in lurid detail by radio and television.

But at the same time there is something compelling about the experience, this receipt of illicit and formerly forbidden information.

The pulse races, the heart-beat quickens. Somehow one is drawn into the newsagents, and in a husky and embarrassed voice, one asks for a copy of The *Sun*, to be tucked inside one's copy of the FT, later to be read at home and in private.

Perhaps it was not such a thrilling experience for Stephen Milligan's family to hear of the bizarre circumstances of his body's discovery, on the news programmes, even before the police had informed them of his death.

Paul Condon, the Commissioner of the Metropolitan Police has, to his credit, immediately made the circumstances of this leak of information the subject of an internal inquiry.

We can be certain that the police inquiry will exonerate all the officers involved, not because such a breach of professional ethics did not occur, but because the professional ethics of the journalists will prevent them from revealing their sources.

Last week I spoke to someone with detailed professional acquaintance of the police force. He seemed remarkably unsurprised by the suggestion that the members of the force had leaked details of Milligan's death – well before the completion of police inquiries – to the media.

A former army man, he fulminated about the lack of an officer class in the police force, and, as he saw it, the consequent inability of senior officers to impose satisfactory standards of behaviour on the lower ranks. He believed it was almost commonplace for members of those lower ranks to sell information to the tabloid press.

Two weeks ago I wrote about the case of Gillian Taylforth, in which *The Sun* newspaper was unsuccessfully sued by the actress for claiming that the police had discovered her fellating her lover in a lay by. *The Sun's* first line of defence was that the event took place. Its second line of defence was that it was merely passing on information given to it – quite improperly – by the police. Indeed, it is hard to imagine how else *The Sun* could have been so sure of its information as to risk publication.

Last year it was widely alleged that the police had tipped off the press about the timing of its arrest, on fraud charges, of Kevin and Ian Maxwell. It was, to say the least, surprising that not a single tabloid newspaper missed its 5.30am appointment outside the homes of the two men. Naturally the Serious Fraud Office conducted an internal inquiry into this incident, and naturally it found that it had acted irreproachably.

I, fortunately, have had no first hand experience of the police's conduct in such matters; but I do know of one celebrated criminal from whose home the police removed – doubtless for their collection of evidence – several family photographs. These subsequently appeared in a tabloid newspaper during the man's trial, and before they were returned to his wife.

The newspapers will quite reasonably claim, in the case of Stephen Milligan and others, that they are merely feeding the public's interest, and that it is up to the police force to keep its own house in order.

And it is true that the events of the past few days have enlightened us to a widespread form of perverted pleasure which had hitherto been little commented on; that millions of us will pay money to read as much as we can about auto-erotic asphyxiation.

But, as I am sure any newspaper medical correspondent will tell us, we should not feel too ashamed of this perversion, and it is quite possible for us to lead an outwardly normal and successful life, while indulging in such depravity. It would be quite wrong for any of the participants in this act, the police force, the newspaper editors, and the paying public, to feel the slightest degree of guilt or remorse.

■ *Dominic Lawson is editor of The Spectator*

Private View / **Christian Tyler**

The unseen eye of a most modest writer

For a man of his reputation, in an age when publishers are more concerned to push the personality of their authors than to defend the quality of their books, Norman Lewis shows a shocking lack of self-promotion.

His readers worship him and Graham Greene called him one of the best writers of this century. Yet, he looks and sounds more like a solicitor's clerk from the suburbs, a person so nondescript as to be guaranteed escape from any identity parade.

In manner, he is as modest as in appearance. Arriving in London from his house in the Essex countryside, he spoke of the pleasure and excitement of a trip to the city as if he had never visited the metropolis in his life, let alone tramped through the wilds of Indochina, Indonesia and Latin America for the past 50 years and more.

When I asked if he regretted being known better for his travel books than his novels, he said merely: "Probably. On the other hand, I regard myself as unambitious. I lead, in my opinion, an ideal style of life. If I'm happy with it, it's satisfactory. I'm not an ambitious person.

"It's very, very nice indeed to make a few friends to talk about things and to earn their respect as a writer – that's marvellous. But, for the public in general, I just don't care at all. I get by and that's fine."

If Norman Lewis worries and suffers as much as other men, you would not guess it. Humorous, accommodating, unfashionably respectful, he talks happily about his adventures, yet is never really the hero of the extraordinary stories he has to tell.

His is the unseen eye. And this surely is the secret of literary alchemy: Lewis combines extraordinarily sharp eyes and ears with a gluttonous curiosity and a long memory. But he filters out the intrusive presence of the observer – himself.

"I am really entranced by the world in all its aspects," he said. "And I cannot tell you the joy that it gives me to study it, to try to analyse why I like it so much and to write little bits of description on the spot: because if I leave it 10 minutes, it's lost – less than that, before I get out of the door.

"All my notes are written on scraps of paper, which I immediately lose. I get immense enjoyment from it. This is my life, really, the enjoyment of producing what I think to be a revealing little description..."

He quoted, with apparent approval, the complaint of one critic that his novels read like travel books, and of another that some of his travel writing reads like fiction.

It is no surprise to learn that Lewis, although he always saw himself as an author, first earned his living as a photographer. Many of his "little descriptions" have a photographic exactness about them.

He does not make the mistake of trying to capture the whole picture, however; he concentrates, like a painter, on the most telling details of his subject or scene.

His observations can be truly minute. To take a random example: a scene from *Voices of the Old Sea*, about the primitive fishing village in Catalonia where Lewis lived for three years after the second world war. It is early, and the author is taking coffee with Don Alberto, the local landowner:

"...Don Alberto took a sip, leaving a small, vivacious stain on the cup's rim. He gasped his appreciation, then re-arranged the cup, saucer and spoon for a better display of the treacly morning reflections."

In *Naples '44* the writer's talent for pen portraiture gets full rein. Lewis was serving as lowly, but hard-working and resourceful, intelligence officer in the chaos of the city's occupation by the Allies. His journal of those months records the tragi-comic antics of black marketeers, currupt mayors, distressed contessas and wide-eyed prostitutes.

Lewis revealed a passion for the exotic early on. His first wife was the wilful, arresting *Ernestina* Corvaja, daughter of a minor Italian *mafioso* living in London.

Lyda van der Meer

Norman Lewis is worshipped by his readers, yet is never really the hero of the extraordinary stories he has to tell. He is satisfied producing 'revealing little descriptions'

In his autobiography, *Jackdaw Cake*, Lewis describes how Ernestina flouted her father, Ernesto, by announcing their betrothal as an accomplished fact. The astonished father went grey with shock, then...

"Suddenly Ernesto shook his head – as if to free himself from a web clinging to his face. He straightened and smiled at me, a little wolfishly, I thought.

"What I was witnessing was a classic example of the stoic Sicilian reaction to irretrievable calamity, known in their enigmatic island as 'swallowing the claws of the toad'."

Lewis grew fond of Ernesto. Ernestina drifted away to Guatemala, though. "It was a mistake, but it didn't have to be," he said. "She had too definite a personality."

Power of observation, professional detachment and nose for a story have made Lewis into an occasional reporter. He is proud of a 1968 newspaper article, "Genocide in Brazil," on the fate of the Indians of the Amazon; it brought an outcry and a change in Brazilian law.

In *The Missionaries*, he exposed the cultural depredations of Christian fundamentalists on South American tribespeople; in a recent book on Indonesia, he reported on the suppression of the inhabitants of East Timor and described a vast but little-known mining project on Irian Jaya.

"The purpose, really, is to enjoy myself as a writer. In so far as I occasionally preach, it's probably the result of a Calvinistic Welsh upbringing. All the Welsh either write bad poetry or they tend to preach.

"I'm not organised in advance to think what I'm going to do. I might go over to look at the charming tribes and, suddenly, it will occur to me that horrific things are happening to them. In my childhood, this religious stuff was pumped into me, and it comes to the surface. But I'm surprised by it. I didn't start off with it."

The Welsh Calvinism was injected by three weird aunts with whom he was sent to live in Carmarthen. Life back at home in the north London suburb of Enfield was scarcely normal either: his father became a spiritualist medium and the house was turned into a temple for the production of ectoplasm and banal messages from The Other Side.

I asked him: Why didn't you aspire to become a well-paid clerk in a bank, have your own house, car...

"Numerous reasons. Although I like money, like everyone else, I don't really aspire to be rich. And I don't aspire to have a large house. I always have the smallest car that money can buy. This is just part of my temperament.

"I haven't really thought clearly over a long period why this should be. I'm not an aspiring person, not a flamboyant person. I'm a quiet person." The suburbs depress him now; he would rather live in a tree hut.

Lewis admires the earliest travel writers including, naturally, Herodotus. As for his prose style, he admits to the influence of Hemingway, whom he met in Cuba. "He broke new territory as far as I was concerned by, on the whole, stating things in a simple, direct manner which so many authors before him were unable to do."

Do you find writing harder or easier now?

"I don't find any difficulty at all, possibly 5 per cent easier." He does a maximum 700 words a day, by hand, always in the morning. "I could force myself to write in the afternoon but I know perfectly well the next day I'm going to scrap it.

"I start off with a clean page. It always has to be a lovely, clean page. And then, at a certain moment, I come back to it with a pair of scissors and some glue and start cutting bits out. At the end of the day, that sheet looks like a gypsy's petticoat.

"My wife is the only person – including me, by the way – that can read my handwriting and she types it for me."

Why don't you use a machine?

"I'm just temperamentally opposed to machinery. I prefer to pick up a pencil."

Lewis's fascination with the primitive does not seem to him to require any justification. He likes tribespeople – or Mediterranean villagers, for that matter – because they are "exceedingly democratic", artistic, courteous, brave and charming.

Is it the fallacy of the Noble Savage?

"No," said Lewis, shortly. "It's not."

Aren't you hunting for a completely unreal world?

"I'm hunting one that is disappearing, certainly. What I am doing, selfishly, is making the best of it. I'm enjoying this position. *Après moi, le deluge*, but I don't make the deluge. I'm enjoying it while it's here."

We argued for a while over whether travel writers bear some responsibility for the destruction by commerce – including mass tourism – of the wild places they describe. Lewis denied it but said, finally:

"I'll have another think about that. I'm going to be asked this question again, quite obviously: I've gotta get my story straight." He laughed. "But I think I've put up a fairly solid defence so far, anyway."

He added: "I have periodical urges to emigrate. Nothing ever comes of it." He and his wife, Lesley, settled for a while in the wing of a Hohenstaufen castle near Rome overlooking the ruins of an ancient city. A river ran past and white cattle with long horns grazed there.

It was an ideal spot for a lover of nature and birds. But, at new year, the villagers followed the ancient custom of tossing out their old furniture. They came and threw it in the river. Then men arrived, pushing an old Fiat van. That, too, was heaved over the parapet of the bridge into the water.

October is the traditional shooting season. The sportsmen arrived, armed with special whirling machines to attract the game and high-powered guns with telescopic sights mounted on tripods. Some of them, Lewis swears, were kitted out in Highland dress – kilts and all. They set about shooting the songbirds.

"After the massacre," he ended, "there were no birds left. So, they went down to the river and shot the frogs."

The couple fled back to their own little man-made wilderness in three acres of Essex garden.

But, I objected, these were charming, primitive customs you should be in favour of.

Lewis looked furtive, then amused. "Yes," he said, "but you can't expect me to be totally logical on all fronts."

Norman Lewis is writing another novel and – by way of self-indulgence – is planning his next trip, possibly to Colombia. He is nearly 86.

Truth of the Matter / **Hugh Dickinson**

Not all roads lead to Rome

It was 50 years ago. A young widow and her four boys came to live in a village on the edge of some beechwoods. On the far side of the woods there was an active and expanding Roman Catholic monastery. Shortly after her arrival two elderly sisters from the village paid a formal call with the parish magazine. They welcomed her, admired the furnishings, helped her identify the plants in the garden and were introduced to her sons.

As they were leaving they turned for a last confidential word. "We think you would be well advised not to let the dear boys play in the woods alone. *It's crawling with Romans.*"

The prospect of encountering some long lost legion manoeuvres was intriguing. More intriguing was the lowered voice. I met exactly the same tone when I once asked my grandmother in the middle of a tea party why Oscar Wilde was put in prison. "My dear," she whispered, "we do not speak of Oscar Wilde."

Times have changed, but "Rome" and "going over to Rome" still produce a frisson in many Church of England parishes, at least in those not devoutly Anglo-Catholic. It is also a continuing matter of fascination to the secular press and its readers.

This is not the paranoid hatred and fear of Ulster: nor the bigotry of a Wee Free Kirk which can excommunicate a Lord Chancellor for attending a requiem mass. Nevertheless, 400 years after the Reformation there still remains an underlying mistrust of the Roman Catholic church in the hearts of many English people, even the unchurched.

So, when a duchess, or an MP, or an Anglican Bishop "converts" it makes headline news. The media start taking the pulse of the Church of England and pronouncing the old dear moribund. The fact that numerically more people are moving in the opposite direction goes unrecorded. No fanfares for the 300 former Roman Catholic priests admitted to the Episcopal Church in the US.

What is the attraction of Rome? For different people it has a different pull, but anyone who has not felt that gravitational attraction has not really understood the spell of catholicism, with all its mystique of priestcraft, ancient rituals and certainty. Many upper class women whose marriages are emotionally barren, have found in the sensitive and safe celibate priest a warm attention to their spiritual needs to which they can respond with equally safe devotion.

Roman Catholic religious orders hold on behalf of Christendom a depth of sacramental spirituality which makes many of us feel shallow and superficial. I count among my dearest friends faithful, intelligent and loving members of that church.

There remains one insuperable obstacle for members of the Church of England: the absolutism of papal authority.

So why don't we all sign up?

Some will. Those who cannot stomach the ordination of women to the priesthood may go that way, although probably fewer than the obituary writers of the C of E would love to believe.

But there will always be a trickle of people who simply find themselves spiritually more at home on one side of the wall than the other.

In the US the trickle from the Roman church into the Episcopal one is already a steady stream. But priests brought up in the corner of Anglo-Catholicism, and some of their devoted laity, will find a warm welcome in Rome. For that everyone is thankful.

The great majority of Anglicans will resist the gravitational pull of Rome for equally diverse reasons and prejudices but many for conscience and intellectual integrity.

God knows the spirituality and discipline of the Church of England are often shaky, but that may be the price that has to be paid for resisting the claim of an authority which seeks to dictate the truth of doctrine and morals regardless of conscience and the evidence.

The Papal ban on contraception is an outrage against conscience and reason, and is known to be by the majority of Roman Catholic laypeople and priests. Its consequences for couples are often tragic and for the globe potentially catastrophic.

The problem with absolute authority is that it can never admit that it was wrong in the past for fear of undermining its credibility in the present.

The autocratic ideology of the Roman magisterium has had dire consequences in the realm of science, morals and politics. The claim to irrefutable certainty may be immensely reassuring to people feeling lost in a welter of claims for their souls, but it has a devastating effect on scholarship and open debate.

Against its absolutism the Church of England continues to oppose a reformed catholicism which holds that the process of establishing truths of faith and morals is an ongoing task offering – usually – provisional answers. There is only a continuing dialogue between scripture, tradition, reason and contemporary knowledge. Absolutes are not on offer.

Between the biblical fundamentalism of the southern Baptist and the papal fundamentalism of Rome there is not a lot to choose. It is equally oppressive to be told that the bodily assumption of the Virgin Mary into heaven is a belief necessary for salvation as to be told that the Genesis story of creation is literally true. Both fundamentalisms are associated with attitudes to women which are hostile to equal rights. Both intervene into personal and family life in ways which are intrusive and oppressive.

The fault lines in the Christian world pass right through the churches, not between them. In European and North American catholicism there is a significant and growing segment of the church which is distrustful of the Vatican and the hierarchy, and deplores the retrogressive influence of the present Pope.

Liberal Anglicans, Lutherans and catholics find they have far more in common with one another than with the conservative wings of their own denomination. At the grass roots, lay people are taking matters into their own hands and voting with their feet on an eclectic ticket.

When on holiday in France many Anglicans are welcomed enthusiastically as communicants in Roman catholic churches; every Sunday there will be a dozen Roman catholics communicating in our cathedral. The language of the liturgies of the churches has now converged to such an extent that worshippers are often unaware which church they are in.

In spite of all these welcome convergences there remains one insuperable obstacle for members of the Church of England to any personal or institutional rapprochement with Rome: the absolutism of papal authority. It is not just doctrinally or morally uncongenial. However guarded or moderated in its expression it endangers the freedom of the human spirit. For any converts looking for a refuge from life's uncertainties it offers a haven of peace. But until the leopard changes its spots those of a different metal will not allow it to eat them up.

■ *Hugh Dickinson is Dean of Salisbury.*